



Daily Report

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Daily Report China

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General

World Economy, Stock Fall Analyzed

HK190921 Beijing RENMIN RIBAO in Chinese
17 Nov 87 p 7

["Economic Jottings" by Zhang Zhenya (1728 2182 0068): "The International Economy Amid Turbulence in the World Stock Market"]

[Text] With the dramatic fall of world stock prices and the confusion in financial markets, the central banks of the United States, Great Britain, West Germany and other countries were forced to increase currency supply, extend credit, and lower interest rates to provide urgently-needed loans and capital to financially-strapped banks, companies, and enterprises. In so doing, they obviously heeded the painful lessons from the Wall Street Crash of October 1929. At that time, U.S. President Hoover erroneously adopted a policy of freezing monetary credits, and allowed a large number of banks and companies to go bankrupt. This led to a chain reaction which ultimately brought about the great economic depression from 1929 to 1933. This time, the speedy reaction of the central banks of different countries and the remedies adopted have been widely regarded as wise moves.

However, the United States has encountered problems in implementing these monetary measures. Before the Wall Street crash on 19 October, the U.S. Federal Treasury had enforced strict control of currency supply in the country in order to stabilize the U.S. dollar. It again raised the discount rate in early September. Then, all of a sudden, there was a 180 degree turnabout by increasing currency supply and lowering interest rates. Was this a deliberate attempt to let the U.S. dollar fall again?

As expected, the change in U.S. monetary policy led to drastic reactions in the market. In the past 2 weeks, the U.S. dollar exchange rate vis-a-vis the Japanese yen and the German Deutsche mark fell successively in the world currency markets. The so-called "Louvre Accord" concluded in February this year by the financial secretaries of six countries to stabilize exchange rates has all but become empty paper. U.S. Treasury Secretary Baker explicitly declared that the most urgent task of the Reagan administration at the moment was to avoid economic recession, and if it meant the fall of the U.S. dollar, so be it.

However, can the U.S. dollar exchange rate really be left alone? The dollar is a world reserve currency, and the great bulk of international trade and transactions are conducted in U.S. dollars. The drastic decline of the U.S. dollar could wreak havoc in the Western economy. Not only would all countries curse the United States for such an irresponsible and destructive move, the United States itself could not afford it either. Actually, the governments of Great Britain, France, West Germany, Japan and others have recently started to pressure the United

States to act. When the U.S. dollar dropped to its lowest post-war conversion rate of 134 yen to the dollar on 10 November, President Reagan was forced to correct his treasury secretary's statement and indicated that the United States would not allow the dollar to continue falling.

In the international financial market, when a country raises interest rates, it leads to a rise in its currency exchange rate. If the United States wants the dollar to stand firm against the Japanese yen and the German Deutsche mark, it will have to raise interest rates. Otherwise, Japan and West Germany will have to lower their interest rates. At present, with the devastating crash in world stock markets, it seems that the United States can only rely on issuance of more currency, extension of more credits and a drastic lowering of interest rates to avoid a crisis. It can no longer rely on increasing interest rates to strengthen the dollar. Actually, President Reagan's statement about not letting the dollar fall was not backed up by concrete measures. At most, it was just a stance. Actually, Washington has for a long while been asking the West German and Japanese authorities to lower their interest rates drastically, and issue more currency. The objective was precisely to have them take over the U.S. burden of propping up the U.S. dollar—this is extremely clear.

However, both West Germany and Japan want to uphold their own interests. West Germany has consistently made commodity price stability the priority in its economic policy. U.S. demands for West Germany to adopt inflationary policies to stimulate economic growth has always met resistance. Just before the Wall Street Crash, the West German central bank, in insisting on raising lending rates, came into direct confrontation with U.S. Treasury Secretary Baker. The West German government has always blamed Reagan's economic policies for the instability of the U.S. dollar hence, it showed no great enthusiasm for coordinating macroeconomic policies with the United States. This is not at all surprising.

Tokyo is the one most anxious about the falling U.S. dollar rate because it deals heavy blows to Japan's exports to the United States. Therefore, each time the dollar falls, Japan's state banks have to try to buy more dollars. However, greater interference in the currency market means issuance of more currency. At present, real estate, shares and food prices in Japan have shot up to astronomical levels. The government's budgetary deficits are also enormous. In addition, the threat of inflation is imminent, while demands for increased interest rates are raised with increasing frequency. Under the circumstances, the Nakasone government still obliged the U.S. demand to increase its budget in order to stimulate domestic demand. Consequently, the Japanese Government obviously believed that it had already done its utmost to help the United States. The newly appointed Prime Minister Takeshita recently criticized the United States, likening its reliance on the falling dollar rate to resolve its problems to taking drugs.

What is noteworthy at the moment is that the Reagan administration and Congress are conducting intense consultations on reducing the federal budgetary deficits in order to stabilize the financial markets as well as ease minds. President Reagan predicted that the federal deficits would be cut down to \$80 billion within 2 years. However, all these things are viewed with scepticism by leaders from allied nations like Great Britain, West Germany and Japan. It is alleged that the budgetary deficit is an old disease of the U.S. economy, and if not cured thoroughly, other measures will just be useless.

However, even if these consultations do have results, it is still not enough to resolve the present conflict. The current world stock market situation remains unstable, and consequently, the future is unpredictable. And with this blow, the Western economies will be quite handicapped. In addition, the dollar exchange rate could fall to a new low, and remain unstable. The debt crisis and protectionism could deteriorate further. It looks like a rocky road ahead for the Western economy.

Solution to Refugee Problems Sought

OW191321 Beijing XINHUA in English 1042 GMT
17 Nov 87

[Text] United Nations, November 16 (XINHUA)—China today attributed much of the refugee problem to "man-made factors," saying that a thorough solution to the problem lies in eradicating the root causes for the misery.

Ambassador Huang Jiahua, China's deputy permanent representative to the United Nations, said in a debate on the refugee problem that the major causes are "man-made factors, such as racism, racial discrimination, foreign armed invasion and occupation."

He said that the problem can be "truly and completely solved only when its root causes are removed."

In the last 30 years, a daily average of more than 700 people have been forced to seek refuge abroad, bringing the total number of refugees today to 13 million. A larger number of people also have been displaced within their own countries.

Huang said that in the last few years, "there have been frequent incidents of military attacks on refugee camps in Asia, Africa and the Middle East, which resulted in heavy losses of life." He called on the international community to stop such attacks.

He said that the three traditional ways of settling refugee problems namely, voluntary repatriation, local integration and resettlement, have proved to be "effective." Of these, voluntary repatriation is "undoubtedly more desirable," he added.

But "it is clearly impossible for a large-scale voluntary repatriation to succeed when the country of origin is still under foreign military occupation," Huang said.

Most countries offering protection to refugees are developing countries, which have been under great economic and social pressure from the influx of refugees.

Huang noted that the refugee problem is a challenge to the whole international community, which cannot be met merely by the efforts from a few countries or organizations.

The countries with the ability to act, especially the developed countries, should "act in the spirit of equitable burden-sharing," Huang said.

In addition to material assistance, they should also provide more resettlement opportunities to alleviate the burden on developing countries, he added.

He said that since 1979, China has accepted 280,000 refugees and taken a series of effective measures to ensure refugees' livelihood, employment and education.

WHO Meeting Told Traditional Medicine Role

OW191249 Beijing XINHUA in English 1540 GMT
17 Nov 87

[Text] Beijing, November 17 (XINHUA)—Traditional medicines have a growing importance in today's world. China's vice-minister of public health told a meeting of World Health Organization (WHO) directors here today.

"With their safety and effectiveness, traditional medicines have been capturing increasingly the attention of each state," Hu Ximing said at the opening of a four-day meeting of directors of WHO's collaborating centers for traditional medicine.

Hu, who is director of State Administration of Traditional Chinese Medicine, said that through the initiative and support of WHO, and with the common effort of member states, traditional medicines have gained encouraging achievements in the West Pacific region.

He noted since the founding of the People's Republic in 1949, the Chinese Government has formulated a policy of integrating traditional and Western medicine and has set up a number of TCM hospitals, colleges and scientific research institutions.

He said traditional Chinese medicine (TCM), developed over several thousand of years, has established a unique theory and developed rich clinical experience.

Drawing on this expertise, WHO has established as many as seven collaborating centers for traditional medicine in China.

Dr. H. Nakajima, WHO's regional director for the West Pacific, said that traditional medicine can play a key role in the health services of developing countries.

"Even in the developed countries, the value of traditional medicine is being increasingly recognized, particularly for certain diseases which have no effective therapy," he said.

Nakajima said that WHO's general work program for 1990 to 1995 includes a global program for traditional medicine.

"The whole of designating these centers is to create a work of institutions to help WHO and its members to implement the program," Nakajima said.

"All available resources must be mobilized for a healthy 21st century. Traditional medicine could be one of the most important of our resources for the attainment of this goal," he said.

WHO's first collaborating center for traditional medicine was designated in 1979 in Italy. There are now 21 centers around the world.

About 30 directors, including Dr. C.O. Akerele, program manager of traditional medicine headquarters of WHO, are attending the meeting.

United States & Canada

Ambassador Urges Stronger Sino-U.S. Ties
OW 201044 Beijing XINHUA in English 0905 GMT
20 Nov 87

[Text] Washington, November 19 (XINHUA)—Han Xu, Chinese ambassador to the United States, today called on Chinese and American leaders "to carefully nurture Sino-U.S. relations and prevent them from being undermined."

Addressing a conference on former U.S. President Richard Nixon at Hofstra University in Hempstead, New York state, Han said that as time passes the importance of Sino-U.S. relations in maintaining world peace and stability will become increasingly evident and appreciated.

The Chinese ambassador emphasized that "experiences have shown that mutual respect and understanding is vital in ensuring the steady growth of Sino-U.S. relations. Whenever this principle is violated, our relations suffer."

Speaking of Nixon's leadership qualities in the opening of Sino-U.S. relations, Han said three major points come to mind.

"First, leaders should have the courage and foresight to seize opportunities to promote national and world interests One must give President Nixon credit for showing courage and vision in taking the initiative to open Sino-U.S. relations," the ambassador said.

He stressed that the leadership quality shown by Chinese and American leaders in 1972 is still needed to ensure that Sino-U.S. relations stay on the right track and move forward steadily.

Han's second point was that world leaders should face reality and go along with the general trend of development in dealing with international relations.

He said that the basic principles established by China and America in the 1972 Shanghai Communiqué not only laid down a solid foundation for the formal establishment of diplomatic relations in 1979, but are also of enormous relevance in guiding the development of Sino-U.S. relations today.

The Chinese Government holds that the formula of "one country, two systems" offers the best solution to the Taiwan issue, Han said.

"Here again the U.S. Government is confronted with a choice," he said, "namely, going along with the general trend of development by adopting a positive attitude toward the Chinese Government's above proposal or letting the Taiwan issue linger on."

The ambassador's third point was that leaders can play a constructive role even out of office. Nixon's contribution to Sino-U.S. relations did not end with his presidency, Han said.

In a recent interview with NBC Television's "Today" show, Nixon stressed that because the United States and China have different political systems, cultures and history, it is unwise to impose one's own culture and value on the other.

"These words have strong relevance for today," Han told the Hofstra audience.

USIA Director Conducts Official Visit

Presents Books

OW 200256 Beijing XINHUA in English 1617 GMT
18 Nov 87

[Text] Beijing, November 18 (XINHUA)—Charles Z. Wick, director of the United States Information Agency (USIA), presented to the Institute of Diplomacy here this afternoon 87 volumes of "Foreign Relations of the United States".

These books were compiled and published by the U.S. State Department.

Attending today's presentation ceremony were Wang Yanchang, Chinese assistant foreign minister, and Winston Lord, U.S. ambassador to China.

Wick and his party arrived here November 16.

Meets With Li Peng

OW191318 Beijing XINHUA in English 1256 GMT
19 Nov 87

[Text] Beijing, November 19 (XINHUA)—Chinese Vice-Premier Li Peng met here today with Charles Z. Wick, director of the United States Information Agency, and his party.

Li and Wick exchanged views on strengthening the exchange of students and cultural ties between the two countries.

Li thanked the U.S. Government and universities and colleges for their efforts in training Chinese students.

During the meeting, Wick presented a letter from President Reagan to the vice-premier, asking him to pass it to Chinese President Li Xiannian.

U.S. Trade Council Urges New Trade Policy

OW200926 Beijing XINHUA in English 0843 GMT
20 Nov 87

["Head of U.S.-China Trade Council Urges New China Trade Policy (by Zhao Zijian)" — XINHUA headline]

[Text] Washington, November 19—The U.S. Government, facing a new expansion of U.S.-China trade, should revamp its policy to maximize its participation in China's modernization drive, said Roger W. Sullivan, president of the Washington-based National Council for U.S.-China Trade.

In an interview with *Xinhua* reporter here this morning, Sullivan said the just concluded 13th National Congress of the Chinese Communist Party showed clear agreement in the Chinese leadership on continuing the policy of reform and opening to the outside world.

He said China will not go back to its old economic model, a new situation that should be matched by a new China trade policy on the part of the U.S. government.

"We are now at the threshold of another expansion in U.S.-China trade," he said.

He pointed out that a new policy should encourage American businesses to be more competitive in the China market, while many current restrictions have just done the contrary.

"We are now advising a lot of U.S. companies to have serious consideration on investment in China," he said, because China's economic situation is good, its foreign currency reserve decline has been brought under control and the change of major currencies' rates are working in China's favor, he added.

He noted that U.S. exports to China started from agricultural products and then shifted to machinery and equipment, which jumped to 2.5 billion dollars in 1985 from almost zero back in 1977.

He was optimistic that the decline of U.S. exports to China in the last year may turn around as China improves its foreign exchange reserves. He said there were exaggerations of differences among the Chinese leadership as reported by the American press. After the 13th Chinese Communist Party Congress, he said, "nervousness" is lifted and "everybody is looking forward now."

He criticized some people in the United States who "always underestimated China's determination to reform."

At first, he said, these people did not believe China could reform, then they doubted about the speed of the reform and then the chance for success of the reform.

He said those people were wrong who once thought that China would never seriously reform because the Chinese Communist Party would not want to lose power, and that obstacles to reform come from the Communist Party itself.

The problem is not with the Communist Party itself, he continued, but with the bureaucracy in the country. Now the Communist Party of China is being revitalized for China's modernization, not for weakening it, he added.

Northeast Asia

Jilin Formally Begins Trade With Soviet Union

SK200733 Changchun JILIN RIBAO in Chinese
8 Nov 87 p 1

[Text] Under the active concern of the Ministry of Foreign Economic Relations and Trade and the relevant departments, Jilin Province has recently made substantive progress in conducting barter trade with the Soviet Union. From 19 to 23 October, the Jilin provincial border trade delegation, following last year's border trade talks, again held border trade talks with the All-Soviet Far East Foreign Trade Company amid an atmosphere of friendship and harmony at the Soviet border town of Geluojieke. Under the principle of mutual benefits, mutual understanding, and mutual concession, both sides signed an export contract for 1987. The Soviet side will provide chemical fertilizer, cement, black iron sheet, and refrigerators to the Chinese side; the Chinese

Beijing. Premier Zhao Ziyang exchanged warm farewell greetings with him and said that his visit will further promote friendly and cooperative relations between China and Korea.

This is Premier Yi Kun-mo's first visit to our country since he assumed office as premier of the State Administration Council of Korea. His visit comes just after the conclusion of the 13th National Party Congress. Therefore, his current visit to our country is of particular significance. This shows that the party and the Government of Korea have attached very weighty importance to the development of friendly and cooperative relations between China and Korea.

While visiting Beijing, Premier Yi Kun-mo met with many Chinese leaders, including Comrade Deng Xiaoping, Comrade Peng Zhen, and Comrade Ulanhu, and had talks with Comrade Zhao Ziyang in a warm and friendly atmosphere.

In the talks, the leaders of the two countries stressed that the friendship between the two parties, two countries, and the two peoples of China and Korea is a friendship forged in blood and that such a friendship is not a common but unique friendship, that can exist only between comrades forged in blood, and a firm friendship that has a long history.

The two leaders made it clear that strengthening and developing Chinese-Korean friendship and inheriting it generation after generation is the firm policy of the parties and governments of the two countries.

The Chinese leaders introduced to the Korean guests the outcome of the 13th National Party Congress and the great changes made in our country since the 3d Plenary Session of the 11th CPC Central Committee.

Saying that the successful outcome of the 13th National Party Congress has proved the correctness of the CPC's policy and that the changes in China have vividly shown that the line of the Chinese party and government to adhere to the four cardinal principles and to achieve the four modernizations accord with the specific situation of China, Premier Yi Kun-mo wished China greater success on this course in the future.

The two countries of China and Korea which are located in East Asia always treasure peace and stability in this region and have made efforts to defend them.

The leaders of the two countries exchanged views on the important matters of common concern, including the situation on the Korean peninsula. Chinese leaders highly evaluated the consistent efforts of the DPRK to alleviate tension on the Korean peninsula and to achieve the independent and peaceful reunification of the country. Premier Zhao Ziyang highly evaluated the proposal

for founding a Democratic Confederal Republic of Koryo advanced by President Kim Il-song, saying that it has elucidated the direction of reunification of the North and South.

Premier Zhao Ziyang indicated again that the Chinese Government and people resolutely support the just stand of the DPRK and its reasonable proposals. He also expressed the hope that the United States and South Korean authorities will look straight at the situation and sincerely accept the DPRK side's proposals, resume North-South dialogue at the earliest possible date, and take practical actions to realize tripartite talks.

There is no doubt that Premier Yi Kun-mo's current visit will become a new contribution to further deepening mutual understanding between the two parties, two countries, and the two peoples of China and Korea and to developing friendly and cooperative relations of friendship between China and Korea.

Southeast Asia & Pacific

Agreement Signed on Trade With Thailand *OW191622 Beijing XINHUA in English 1546 GMT* 19 Nov 87

[Text] Bangkok, November 19 (XINHUA)—Trade between China and Thailand would reach between 500 million to 600 million U.S. dollars in 1988, it was disclosed here today.

It was reportedly stipulated in the two documents on Sino-Thailand economic cooperation signed here today. They are: 1) the summary of the third meeting of the Sino-Thailand Joint Economic Commission, or officially named "the Sino-Thailand Joint Commission on Economic Cooperation," and 2) the protocol of imports and exports for China and Thailand in 1988.

Among those attending the signing ceremony were Lu Xuejian, Chinese deputy minister of foreign economic relations and trade, other Chinese members participating in the joint commission's meeting, and Thai Deputy Foreign Minister Prapass Limpabandhu.

After the ceremony, prapass said he hoped that Thailand and China, besides achieving their target in trade, will enhance their cooperation in the fields including aviation, shipping and fishery.

Lu Xuejian said the two documents will assuredly accelerate the process of Sino-Thailand economic and trade cooperation.

Later, on behalf of Thai Prime Minister Prem Tinsulanon, Deputy Prime Minister Phong Sarasin met Lu Xuejian and his party.

side will provide daily manufactured goods, clothes, shoes, hats, foodstuffs, canned food, apples, mandarin oranges, and peanuts, to the Soviet side.

During these trade talks, both sides also exchanged views on how to actively expand and develop border barter trade in 1988, and exchanged shipping lists.

In order to further strengthen mutual understanding, and promote the development of border trade, both sides decided through consultation that Jilin Province will hold an export commodity exhibition in the Soviet Union's Nakhodka City in next March.

Yeltsin Appointed to State Construction Body
OW200148 Beijing XINHUA in English 1903 GMT
18 Nov 87

[Text] Moscow, November 18 (XINHUA)—Boris Yeltsin, former Moscow City party chief, has been appointed first deputy chairman of the Soviet State Committee for Construction with ministerial ranking, the Soviet news agency *Tass* report today.

Tass said the Council of Ministers has made the nomination and the Presidium of the Supreme Soviet has approved the appointment.

The Presidium of the Supreme Soviet "has appointed the First Deputy Chairman of the USSR State Committee for Construction Boris Yeltsin as minister of the USSR," *Tass* said.

It means that Yeltsin will enjoy a minister's treatment.

Yeltsin, 56, was removed from his post as first secretary of the Moscow City party committee last Wednesday for "political mistakes" and shortcomings in his leadership of the Moscow party organization.

Before becoming Moscow first secretary in December 1985, Yeltsin previously served as head of the Central Committee's Construction Department.

A Soviet Foreign Ministry spokesman told a news briefing here Tuesday that Yeltsin "is ill and has been in hospital for a number of days."

Northeast Asia

Zhao Invites Takeshita To Visit China
OW191845 Beijing XINHUA Domestic Service
in Chinese 1533 GMT 19 Nov 87

[Text] Beijing, 19 Nov (XINHUA)—Premier Zhao Ziyang meet with new Japanese Ambassador to China Toshihiro Nakajima at Zhongnanhai this afternoon. During the meeting Premier Zhao extended a formal invitation to Prime Minister of Japan Noboru Takeshita to visit China next year.

Zhao Ziyang said: "Since he assumed premiership, His Excellency Noboru Takeshita has pledged on many occasions to actively promote friendly relations between Japan and China, and expressed the wish to visit China. Now on behalf of the Chinese Government, I extend a formal invitation to Prime Minister Takeshita to visit China at a convenient time next year." He added that he was looking forward to meeting Takeshita and exchanging views with him on furthering the long-term good-neighborly relations between China and Japan.

Zhao Ziyang said: This year marked the 15th anniversary of the normalization of Sino-Japanese diplomatic relations, and next year will be the 10th anniversary of the signing of the Sino-Japanese peace treaty. These two years are very important for Sino-Japanese relations. The two countries must, on the basis of summing up past experience and lessons, carry forward the good tradition and forge ahead into the future to open up a new situation in Sino-Japanese friendly relations.

During the meeting Ambassador Nakajima delivered two personal letters from Prime Minister Takeshita to Premier Zhao Ziyang and Deng Xiaoping.

Zhao Ziyang thanked the ambassador for the letters.

Japanese Socialist Party Delegation Departs
OW191853 Beijing XINHUA in English 1702 GMT
19 Nov 87

[Text] Beijing, November 19 (XINHUA)—A Japanese Socialist Party delegation led by Takako Doi, chairman of the party's Central Executive Committee, wound up its visit to China and left here for home today.

Zhu Liang, head of the International Liaison Department of the Chinese Communist Party Central Committee, saw the Japanese visitors off at the airport.

Besides Beijing, the Japanese visitors also toured Xian, and Nanjing, where they visited the Massacre Museum. The museum displays pictures and articles bearing witness to the Nanjing Massacre, during which the invading Japanese troops slaughtered 300,000 Chinese soldiers and civilians from December 1937 to February 1938.

Station Commentary on DPRK Premier's Trip
SK200346 Beijing International Service in Korean
1100 GMT 13 Nov 87

[Station commentary: "Chinese-Korean Friendship Will Be Inherited Generation After Generation"]

[Text] Comrade Yi Kun-mo, premier of the DPRK State Administration Council, after winding up his visit to Beijing on 11 November, is now touring cities in the southern part of our country. Prior to his departure from

New Zealand Leader Calls for Closer Ties

OW191428 Beijing XINHUA in English 1130 GMT
18 Nov 87

[Text] Wellington, November 18 (XINHUA)—New Zealand Prime Minister David Lange said here today his government would work to promote trade relations and economic cooperation with China.

Meeting ingoing Chinese Ambassador Ni Zhengjian, Lange said China was the biggest buyer of New Zealand wool this year and could as well become the biggest buyer of New Zealand butter, lamb and timber.

China could also be considered as a big producer, capable of providing New Zealand with a wide range of commodities apart from textile goods, Lange added.

He said his government had been planning for the total elimination of import licenses.

Lange also expressed satisfaction with a number of ongoing joint ventures between New Zealand and China.

Exchanges between the two countries, he said, could be widened to greater dimensions in such fields as medical technology, tourism and cultural activities.

Australian Liberal Party Delegation Visits

SK200420 Tianjin TIANJIN RIBAO in Chinese
8 Nov 87 p 4

[Text] On the evening of 7 November, Municipal Vice Mayor Liu Jinfeng met with Australia's Liberal Party delegation led by (John Ward), chairman of the Federation of the Liberal Party of Australia, at the cadres club. The host and guests held cordial and friendly talks. Geng Jianhua, deputy director of the municipal Foreign Affairs Office, was present at the meeting.

The delegation is visiting China at the invitation of the Chinese Association for International Understanding. During its stay in Tianjin, the delegation visited Xingang Harbor and the economic and technological development zone. It will leave Tianjin on 8 November.

Near East & South Asia

Dalai Lama Interviewed on Tibetan Issue

BK171615 Delhi INDIA TODAY in English 31 Oct 87
pp 76-77

["Excerpts" of an "exclusive interview" with the Dalai Lama by Vijay Kranti in Dharamsala, India; date not given]

[Text] Question: Why have the Tibetans suddenly decided to agitate inside Tibet?

Answer: The situation has been becoming clearer in recent times because of more tourists going to Tibet. Because of this, people outside have been able to know more about conditions prevailing inside Tibet. I think this has generated more interest and sympathy toward Tibet all over the world and obviously had its impact on Tibetans living in Tibet too. Thus they found a more favorable atmosphere to express their feelings openly.

Question: Do you think this new phase of public unrest is significant enough to improve chances of Tibetan freedom?

Answer: Yes, I think so. But I also know that the path to freedom is very long. There are many obstacles, and it is not going to be an easy job either. After all, China is a big country and, strategically speaking, Tibet is very important to them. Moreover, Tibet has also many other economic uses for China.

Question: But can the Tibetans fight this out on their own?

Answer: Unless there is some kind of very effective pressure from outside this is going to be quite a difficult task. As far as the determination among Tibetans is concerned it is very much there, especially among the younger generation who have better education and better knowledge. Now the only other thing which is important is world opinion and world pressure.

Question: How do you look at the sympathy and support expressed by the U.S. Congress and Senate toward your cause?

Answer: Of course I am happy. I think this is just a beginning. They are thinking seriously about the human rights problem. But this is just an expression of public opinion. It is not a government policy. Still, it is a positive start.

Question: Do you think this is going to have its impact on other countries too?

Answer: We look at it as real support based on moral principles. It is an important development. Earlier, many countries and people have been trying to avoid showing their sympathy and concern for Tibetan people and Tibet for the simple reason that China is a big country. I hope those countries will change their attitude.

Question: What about the Indian stand?

Answer: Although the Tibetan problem is a mutual problem of Tibet and India, the Indian Government is facing certain difficulties in taking a stand. India can make long-term benefits through this issue. But if this government neglects the issue for a few years more, then the influx of Chinese settlers will convert Tibet into a real Chinese land. By then it will be too late. So even if

there are difficulties at present for India, she should study this problem more seriously and find a solution. This will help India immensely in the long run.

Question: How are the interests of India and Tibet mutual?

Answer: As I have suggested, Tibet should be made a zone of peace and should be demilitarized. This will surely help India because then she can use her resources for her economic development rather than spending a huge sum of money on her borders facing the Chinese Army.

Question: Do you think the Beijing leadership may now withdraw liberalization in Tibet?

Answer: On this issue even Chinese leaders have been in a dilemma. I believe that a more liberal and humane policy would prove better in the long run even though they may make some immediate gains by adopting a policy of rigidity.

Question: What did you gain out of your new policy of establishing contact and a running dialogue with the Chinese Government? Do you intend to continue this dialogue?

Answer: Yes. I want to maintain this contact. Though this has been quite difficult and time-consuming, yet we find that it will help in developing mutual understanding. So far the problem is that whenever we have grievances the Chinese side unfortunately takes it as an anti-Chinese expression and our suggestions don't get into their head. But still I believe that things may change as time passes. So I think it is useful to keep a direct contact with them.

Question: The Chinese have blamed you personally for instigating the Tibetans inside as obviously an attempt to create an impression that all trouble is only because of some individual and that otherwise things are fine in Tibet. In the days of the Cultural Revolution so many mistakes were committed. Later, they put all the blame on the Gang of Four to wash off their own hands. Now too they want to blame an individual rather than blame the entire Tibetan population. But it doesn't affect me. I am happy that they decided to make me the scapegoat.

Shipbuilding Agreement Signed in Dhaka
OW191307 Beijing XINHUA in English 1616 GMT 17 Nov 87

[Text] Dhaka, November 17 (XINHUA)—Bangladesh and China here today signed a contract for construction and delivery of a 16,500 dwt multipurpose cargo vessel by China at a cost of 11.6 million U.S. dollars under supplier's credit.

As per the contract, the Chinese builder will deliver the vessel within 18 months from the date of the contract becoming effective.

The contract was signed by representatives from Bangladesh Shipping Corporation and China Shipbuilding Trading Company.

The two sides signed a similar contract in November 1986 for the construction of a vessel of the same type which is expected to be delivered to Bangladesh Shipping Corporation in July next year.

Sub-Saharan Africa

NPC Delegation Meets Leadership in Sudan
OW191148 Beijing XINHUA in English 0641 GMT 19 Nov 87

[Text] Khartoum, November 18 (XINHUA)—Chairman of Sudan's Supreme Council Ahmad al-Mirghani and Prime Minister al-Sadiq al-Mahdi today met here with the visiting delegation of China's National People's Congress.

Al-Mirghani expressed warm welcome to the delegation headed by Wang Renzhong, vice-chairman of the Standing Committee of the National People's Congress, and highly appreciated China's assistance to Sudan.

Al-Sadiq said, "Sudan and China have been keeping very good relations." He expressed the hope that these relations will be strengthened and developed.

He sincerely praised the success achieved by the Chinese people in developing and constructing their country, saying, "we think highly of China's experience." He expected that his official visit to China in the near future will be successful and serve the further development of friendship and cooperation between the two countries.

Al-Sadiq emphasized that Sudan is pursuing the policy of neutrality, good neighbour and non-interference in other's internal affairs, taking initiative to promote South-South cooperation and developing trade and cultural relations with other countries.

Head of the Chinese delegation Wang Renzhong said that China and Sudan have identical or similar views on important international issues, adding that both China and Sudan are eager to preserve world peace, promote South-South cooperation and develop the national economy. He believed that the friendship and cooperation between the two countries will be further strengthened and developed. Sudanese Foreign Minister Muhammad Tawfiq Ahmad and Minister of Commerce and Supply Ibrahim Hasan 'Abd al-Jalil also met today separately with the visiting Chinese delegation. The 15-member delegation of China's National People's Congress arrived here last Sunday on a friendly visit to Sudan.

NPC Vice Chairman Meets Tanzanian Delegation
OW190851 Beijing XINHUA in English
0638 GMT 18 Nov 87

[Text] Beijing, November 18 (XINHUA)—Zhou Gucheng, vice-chairman of the Chinese National People's Congress Standing Committee, met with a Tanzanian education delegation led by Minister of National Education Kighoma Ali Malima here today.

West Europe

Further on Li Xiannian's West Europe Tour

Praises Ties With Luxembourg
OW191557 Beijing XINHUA in English
1543 GMT 19 Nov 87

[Text] Luxembourg, November 19 (XINHUA)—Chinese President Li Xiannian said here today that Sino-Luxembourg relations have developed "satisfactorily in various fields" since 1972 when the two countries established diplomatic ties.

In an interview with the Luxembourg Television Station, President Li, who ends his two-day state visit to Luxembourg this afternoon, said that his current trip has reinforced his belief that "friendly relations and cooperation" between China and Luxembourg are "established on a solid base and have vast prospects."

Li Xiannian said his meetings with Luxembourg leaders demonstrate that both China and Luxembourg long for peace, oppose war and "have identical or similar views on many world issues."

"Both of us maintain that all countries, big or small, have their own strong points and can learn from each other to make up their deficiencies," he said, "and both of our two countries have the common desire for furthering bilateral friendly relations and cooperation and promoting common progress."

President Li will fly tonight to Belgium, the last stop on his four-nation European tour.

Arrives in Belgium 19 Nov
OW191930 Beijing XINHUA in English
1841 GMT 19 Nov 87

[Text] Brussels, November 19 (XINHUA)—Chinese President Li Xiannian began his five-day state visit to Belgium today after his successful trip to Luxembourg.

Upon his arrival at the airport this afternoon, the Chinese president was welcomed by King of the Belgians Baudouin I.

Li is the first Chinese head of state to visit Belgium since the two countries established diplomatic relations in 1971. Belgium is the last leg of his four-nation European tour, which has already taken him to France, Italy and Luxembourg.

In a written statement circulated at the airport, the Chinese president said that the development of Sino-Belgian relations in various fields is "satisfying."

Statistics show that the Sino-Belgian trade volume has increased about 20 times since the king visited China in 1981. The two countries have also expanded their economic and technological cooperation steadily. Moreover, Belgium has taken an open attitude in transferring technology to China, which is engaged in the modernization drive.

"To further enhance mutual understanding, to increase friendship and cooperation and to safeguard world peace are the common desire of our two governments and peoples as well as the purpose of my visit to Belgium," Li said.

Greeting the Chinese president and his entourage including Vice-Premier Qiao Shi were also Belgian Prime Minister Wilfried Martens and Foreign Minister Leo Tindemans.

Li is scheduled to meet the Belgian congressional leaders and Martens tomorrow and travel to Antwerp and Mons later during his stay.

Belgian King Hosts Banquet
OW200736 Beijing XINHUA in English
0639 GMT 20 Nov 87

[Text] Brussels, November 19 (XINHUA)—King of Belgium Baudouin I held a grand banquet here tonight in honor of the visiting Chinese President Li Xiannian, who flew in here this afternoon from Luxembourg for a five-day state visit.

Speaking on the occasion, King Baudouin I warmly praised the 13th National Congress of the Chinese Communist Party (CPC) which closed recently and the development of Sino-Belgian friendly relations.

He said the major political resolutions adopted by the CPC Congress "will decide the way of China's future development and the nature of China's foreign relations."

The rapid growth of the two countries' relations since the establishment of diplomatic ties in 1971 resulted from the traditional friendship based on the attraction of the Chinese people and culture to the Belgian people, he said.

The king said the two countries have similar views on various issues concerning the international situation.

He added that Belgium is aware of China's interest in all the things related to a "new Europe."

Referring to East-West relations, detente and deterrence, the king said, "we sincerely hope that China and Europe would become two forces in maintaining world peace and stability."

In his speech, Li Xiannian spoke highly of relations between China and Belgium.

Since 1971, the two countries have expanded their governmental or non-governmental exchanges, increased their trade volume by about 20 times and developed their economic and technological cooperation.

Belgium has adopted a "comparatively open policy" in transferring technology to China, which China "highly appreciates," Li said.

The Chinese president said that there exist no conflicts of fundamental interest between the two countries or any hindrance that affects the development of bilateral relations.

Noting that the two sides share identical or similar views on major international issues, and economically, they can also learn from each other, Li said, "there is a reliable foundation for the growth of a long-term and stable Sino-Belgian relationship."

He expressed the hope that with the care and efforts of both sides, bilateral relations and cooperation "will be brought to a new and higher level."

Referring to the international situation, Li praised Belgium for its efforts in promoting the unification of Western Europe, relaxing East-West relations and safeguarding security in Europe.

The Chinese president said the expanding cooperation between China, which follows an independent foreign policy, and Western Europe, which seeks unification and self-strengthening, is not only beneficial to themselves but also an important factor in strengthening world peace and stability.

Attending the banquet were more than 200 guests including Chinese Vice Premier Qiao Shi, who is accompanying Li on the visit, and Belgian Prime Minister Wilfried Martens.

Italians Hold Economic Exhibition in Shandong
SK180751 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 17 Nov 87

[Text] The economic exhibition sponsored by the Marche region of Italy opened at the Shandong provincial industrial exhibition hall on the morning of 17 November. (Buoniddio Macci), governor of Marche region, and

Jiang Chunyun, provincial acting governor, cut the ribbon for the exhibition. (Gianbaldi Giamoballi), president of the regional parliament, and Li Zhen, chairman of the provincial People's Congress Standing Committee, spoke at the opening ceremony.

Major products on display at the exhibition include furniture, garments, machines, musical instruments, shoes, and boots. These products fully reflected the quality and technological levels of the region. All members of the Italian Marche regional government and industrial delegation were present at the opening ceremony. Also present were leading comrades, including Wang Jinshan, Li Farong, Ma Shizhong, and Ding Fangming, and responsible persons of relevant provincial departments.

That evening, the Marche regional government hosted a return banquet at the Jinan Hotel.

During its stay in our province, the delegation also went sight-seeing in Qingdao, Jinan, and Taian.

Agreement Signed

SK190645 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 18 Nov

[Text] A ceremony for signing the agreement on the summary of talks conducted by the Shandong Provincial People's Government and the Marche regional government of the Italian Republic was held at the Nanjiao Guesthouse in Jinan City on the evening of 18 November.

At the ceremony, Shi Tao, director of the provincial Foreign Affairs Office, and (Macci), governor of Marche Region, signed their names on the agreement on behalf of their governments.

The summary of the talks points out: The visit by the Marche regional governmental and industrial delegation at the invitation of our province was a complete success. During its visit, Vice Governor Ma Shizhong, on behalf of the provincial People's Government, held a talk with Governor (Macci) and his entourage on establishing friendly ties, developing economic and trade cooperation, and carrying out cultural exchanges. During the talks, both sides contended that there are great potentials for carrying out economic and technical cooperation and developing trade between the province and the region, and that they will adopt various methods to carry out extensive exchanges and cooperation under the guidance of the principle of equal assistance and mutual benefits.

During the talks, Shandong Province asked the Italian region to provide scientific and technological information and personnel for the province in the fields of enterprise management, fruit freshness maintenance, foodstuff processing, leather manufacture, raw silk processing, plastic products, and for building raw materials. The representatives of Marche region said the region will

actively support and assist in the project, and they asked the province to dispatch its literary and art troupes, performing operas, acrobats, musicians and dancers to perform in the Italian region. Then the representatives of the province agreed with the opinions put forward by the Italian side.

Trade Relations With FRG Continue To Develop
HK200330 Beijing CHINA DAILY in English
20 Nov 87 p 2

[By staff reporter Dong Lisheng]

[Text] Since 1980, China and the Federal Republic of Germany have signed more than 20 contracts involving about 45 million deutschmarks (about \$26 million) for technical transfer, consultation and compensation trade of farm machinery, an official of the State Commission of Machine-Building Industry told *China Daily* yesterday.

Lu Zehe said the latest contract was signed in Beijing on Monday by the Kaifeng Combine Harvester Plant and Class OHG of Germany for co-operative development and sale of a rice combine harvester.

"Thanks to the efforts and support of the governments of the two countries, our co-operation and exchanges with FRG manufacturers and businessmen have been very successful," Lu said.

He said that next Monday, the Agriculture, Forestry and Grain Working Group of the Sino-FRG Joint Committee for Economic Co-Operation will hold its eighth annual meeting to review its work this year and discuss ways for further co-operation. Co-operative projects for next year will be decided.

For example, the Shenyang Diving Pump Factory imported technology from the Ritz Pump Enfabrik GMBH & Co and began to turn out a new model of diving pump in 1983. Then it managed to make the production machinery itself, and this year, the pump will account for 54 per cent of the factory's total output.

A cereal combine harvester imported from the Zweibrücken Combine Harvester Works has become a key product of the Jiamusi Combine Harvester Plant in Heilongjiang Province. The product is the most advanced in China and some are exported.

A project to set up a training centre in Beijing for senior technical workers in precision machinery operation has been implemented according to schedule. The project was supported by the FRG government.

He said technical and economic co-operation in the farm machinery industry has a bright future so long as both sides deal with problems frankly and co-operate in ways that are favourable to both. Two problems that China is facing are an unfavourable trade balance with the FRG and the rising value of the deutschmark.

Latin America & Caribbean

U.S. 'Isolation' at OAS Session Reported
OW191215 Beijing XINHUA in English
0201 GMT 17 Nov 87

["OAS No Longer a U.S. Instrument (By Wu Huizhong)"]—XINHUA headline]

[Text] Mexico City, November 16 (XINHUA)—The 17th General Assembly of the Organization of American States (OAS), which closed Saturday in Washington, was one of the most vigorous in its history as its members advocated regional agreements to solve their political and economic problems with their own means.

The current assembly was also marked by isolation of the United States which seemed to have no longer been able to manipulate the OAS as it once did in the past.

The assembly last Saturday rejected a U.S.-backed resolution, entitled "Support for the Salvadoran Government", which condemned the Farabundo Marti Front for National Liberation and the Democratic Revolutionary Front because of the suspension of their dialogue with the Salvadoran Government. Only Paraguay and Chile supported the move.

The main topic at the assembly was the implementation of the Central American peace accord signed by the presidents of Costa Rica, Honduras, Guatemala, Nicaragua and El Salvador in Guatemala City on August 7.

The U.S. Government was criticized for violating OAS regulations since it allowed contra leaders to be present without proper identification or official authorization when Nicaraguan President Daniel Ortega addressed the general assembly.

After that, the OAS meeting was virtually ignored by the U.S., and the U.S. press gave little coverage to the event.

Delegates on Zhao Premiership Resignation

OW191503 Beijing XINHUA in English 1448 GMT
19 Nov 87

[Text] Beijing, November 19 (XINHUA)—Zhao Ziyang's application to resign as premier has gained the praise of delegates of the on-going 23rd meeting of the Standing Committee of the Sixth National People's Congress (NPC).

The resignation is right and in line with the policy of separating the functions of party and government, many delegates said in today's group discussions.

They said Zhao had distinguished himself as premier, yet by resigning would be able to devote more time to his position as secretary-general of the Communist Party of China, to which he was elected earlier this month. Thus the party would benefit by his resignation, they said.

Zhao proposed to President Li Xiannian on November 14 that he should not hold both positions and thus should resign the premiership.

And on November 15 Li presented Zhao's resignation to the meeting, which opened here a week ago, for approval.

Overseas Chinese Reassured by Zhao's Report

HK200741 Hong Kong ZHONGGUO XINWEN SHE
in Chinese 1148 GMT 16 Nov 87

[Text] Beijing, 16 Nov (ZHONGGUO XINWEN SHE)—Hong Sisi, member of the NPC Standing Committee, made a long speech at the ongoing 23d Session of the 6th NPC Standing Committee in Beijing today. He said: The report to the 13th CPC National Congress has reassured the vast numbers of Chinese nationals residing abroad.

He said: The Overseas Chinese are pleased with our adherence to the policy of reform and opening to the outside world since it relieves many of their previous worries. They have expressed admiration of the report's spirit of presenting the current failings as they are and stressing practical results.

In recalling past experiences, this old man who stood together with the people on the mainland through thick and thin heaved a deep sigh and said: For quite some time, we people on the mainland have been striving for unrealistic aims, only to end up running into trouble.

Hong Sisi pointed out some inadequacies in matters relating to the Overseas Chinese investment on the mainland and the use of their donations in public welfare undertakings and economic construction, such as over-elaborate investment procedures and having to deal with too many responsible departments for approval. Having had a hard time concluding agreements, they often

encounter setbacks in operation, some coming to a premature end and others being caught in a dilemma, unable to stop even though they want to.

Hong Sisi said: In his report, Zhao Ziyang stressed economic results and elimination of bureaucraticism. With this, coupled with the actual results achieved in reform over the last few years, the Chinese nationals residing abroad feel there are bright prospects for China's rejuvenation and believe that there will be a sound investment environment for them to serve the country.

NPC Standing Committee on Village Draft Law

OW191637 Beijing XINHUA in English 1610 GMT
19 Nov 87

[Text] Beijing, November 19 (XINHUA)—A draft law designed to give village committees more say in their affairs caused a heated debate among participants at the 23rd Meeting of the Sixth National People's Congress (NPC) here today, even though it was the third time the members had examined the matter.

Many members of the Standing Committee support the law on grounds that it would promote democratic consciousness and autonomy of China's 800 million farmers.

NPC Standing Committee member Peng Dixian said that the establishment of village committees on principles of democracy and autonomy would be a big step in improving China's political system at grass-roots level.

Another member Mamutov Kurban echoed Peng's view, saying the law would invigorate the economic, political, material and cultural life in the countryside, arouse enthusiasm of farmers and herdsmen, and encourage and promote among them a sense of duty.

The revised draft of the law has further defined the relations between the township government and the village committee, and set out the responsibilities of the committee, said Cao Longhao, another NPC Standing Committee member.

Cao felt the village committee should shoulder administrative work that is closely related to the vital interests of villagers.

Standing Committee member He Ying, a veteran diplomat, said that one of the major problems in China's countryside today is that farmers have not fully exercised their democratic right and providing sufficient opportunity for them to exercise that right is an important task in the current political system reform. The participants argued that the draft law may work in theory but there may be problems in its implementation.

Member Su Buqing, a well-known professor from Wenzhou in Zhejiang Province, used his native place as an example to show that conditions were not yet ripe for enacting the law.

The professor said more education and scientific knowledge should be spread among the farmers before it was enacted into law.

Member Cao Yu, a famous playwright, agreed.

"Having a village committee law is important," Cao said, "but improving education in the countryside is equally important in making the 800 million farmers real masters of the country."

Changes Proposed to NPC Rules for Proposals

OW190938 Beijing XINHUA Domestic Service
in Chinese 0839 GMT 17 Nov 87

[Excerpts] Beijing, 17 Nov (XINHUA) — Zhang Youyu, vice chairman of the NPC Law Committee, reported today to the Sixth NPC Standing Committee on the results of examining the draft of Rules for Discussing Proposals by the NPC Standing Committee of the People's Republic of China. According to him, the Law Committee holds that the Rules for Discussing Proposals are very necessary to systematizing, standardizing and improving the work of the NPC Standing Committee and to enhancing its efficiency in discussing proposals. [passage omitted]

Zhang Youyu held that the draft rules are based on the working experience of the NPC Standing Committee and are, on the whole, feasible. At the same time, he made the following suggestions on some revisions:

The draft rules stipulate: "The Standing Committee should usually inform its members of the date of a meeting and the major proposals to be discussed at the meeting 7 days prior to the meeting." Some committee members and localities pointed out that the committee members should be informed of the date of the meeting as soon as possible so that they have sufficient time to make preparations, and it is inadvisable for the notice to be shorter than 7 days. Therefore, it was suggested that the wording "should usually inform its members" be revised to read "should inform its members."

The draft rules stipulate: "The examination and discussion of a proposal submitted to the Standing Committee will discontinue as soon as the proposal is withdrawn by its initiator before it is put to the vote." Some committee members pointed out that it is inadvisable to let the initiator withdraw the proposal at will, because, in a proposed law for example, the Standing Committee will usually have examined and discussed it twice and done a great deal of work on it before it is put to a vote. Therefore, it was suggested that the passage be revised to read: "The examination and discussion of a proposal on the agenda of the Standing Committee will discontinue as soon as the proposal is withdrawn by its initiator with the consent of the Chairmanship Meeting before it is put to the vote."

The draft rules stipulate: "The organization recommending a personnel appointment should provide relevant information concerning the individual." [passage omitted] It was suggested that the passage be revised to read: "The organization recommending a personnel should provide relevant information concerning the individual; and if necessary, the responsible person of the organization should attend the meeting to answer questions."

The draft rules stipulate: "Important personnel appointments and removals should be decided by vote on an individual-by-individual basis." In accordance with the opinion of some committee members, it was suggested that this passage be revised to read: "Personnel appointments and removals should be decided by vote either on an individual-by-individual basis or on a collective basis according to the situation." [passage omitted]

Zhang Youyu said: The draft has been revised in accordance with the aforesaid opinions, and some changes have been made in the wording. The Law Committee suggests that the draft rules be examined and adopted by the NPC Standing Committee.

Deng's Ideas on Superiority of Socialism

HK191349 Beijing GUANGMING RIBAO in Chinese
25 Oct 87 p 3

[Article by Chen Junhong (7115 0193 1347): "Only by Accelerating the Development of the Productive Forces Can the Superiority of Socialism Be Fully Demonstrated—Studying Deng Xiaoping's Expositions on the Superiority of Socialism"]

[Text] During a conversation with foreign guests not long ago, Comrade Deng Xiaoping said: To build socialism, we must have developed productive forces. Pauperism is not socialism. We must adhere to socialism, but to build socialism with superiority, among other things, we should break away from poor socialism. Only by the middle of the next century when we reach the level of a moderately developed country can we say that we have really built socialism, and only then can we justifiably say that socialism is superior to capitalism. Here not only did Deng Xiaoping expound the fundamental indicator of socialism as being superior to capitalism but he also pointed out the specific objectives to gradually demonstrate the superiority of China's socialism in its initial stage. Thoroughly understanding Comrade Deng Xiaoping's expositions on the superiority of socialism is of great significance for further understanding the fundamental tasks of the initial stage of socialism, deepening the reform and opening to the outside world, and building a prosperous, developed, and civilized socialism with Chinese characteristics.

I. The Superiority of the Socialist System Should Be Demonstrated by Its Faster and Greater Development of the Productive Forces Than That of the Capitalist System [subhead]

Marxism tells us: The superiority of a new social system over the old one which it substituted lies, in the final analysis, in the fact that it is more able than the old one to accelerate the development of the productive forces and to create higher labor productivity. This holds true for both the substitution of the capitalist system for the feudal system and that of the socialist system for the capitalist system. However, the practice of international communist movements has proved socialist revolutions took place in such countries as Russia and China whose productive forces were underdeveloped and economies and cultures comparatively backward rather than in the capitalist countries whose productive forces were fully developed. Therefore, in the process of building socialism, it will be impossible in the short term to create more developed productive forces and higher labor productivity than those under the capitalist system and proceed to take advantage of their superiority.

In the face of this grim reality, how should we understand the standards for the developing productive forces under socialism? How should we understand the superiority of socialism at the present stage?

In accordance with the basic tenets of Marxism and in light of the practice of socialist construction in our country, having summed up the country's positive and negative experiences in the last 3 decades or more, Comrade Deng Xiaoping has pointed out: "The fundamental task for the socialist stage is to develop the productive forces. The superiority of the socialist system is demonstrated by its faster and greater development of the productive forces than that of the capitalist system." (Deng Xiaoping: "Build Socialism With Chinese Characteristics" Enlarged Edition, call 'Enlarged Edition' hereafter for short, pp 52-53) With these remarks, Comrade Deng Xiaoping continued to develop the basic Marxist tenets on the superiority of socialism and, moreover, pointed out the fundamental indicator of the superiority of the country's socialism now in its initial stage. He contended: "The socialist system we have built is a good system, which we must adhere to." (Enlarged Edition, p 103) This is because under the socialist system, the system of exploitation has been abolished and the exploiting classes eliminated, public ownership of the means of production and distribution according to work have been adopted, the people have become the masters of the country, and the relations between man and man are ones of equality, mutual help, and cooperation. Therefore, the socialist system certainly can protect and develop its productive forces and also can completely achieve "greater development" of its productive forces than that of the capitalist system and ultimately create higher labor productivity than that of the latter. Nevertheless, this judgment is made in view of the nature and development trend of socialism and of the advanced stage of socialism, and it does not mean this objective can be obtained at the present stage. In the initial stage of socialism, we can achieve "faster development" of the productive forces than the capitalist

system and create productive forces and labor productivity close to the levels of their counterparts under the capitalist system. Creating conditions for "greater development" of the productive forces and higher labor productivity than that of the capitalist system is the greatest superiority of the initial stage of socialism and also the fundamental task we should accomplish.

This is how things stand. In the last 30 years or more, despite serious twists and turns, we have still managed to achieve great successes in socialist construction. We have set up an independent industrial base and economic system and completed the task of developing the productive forces in several decades, which usually took as many as 100 years for completion under the capitalist system. From 1952 to 1983 our gross national product (GNP) increased at an average rate of 5.9 % a year, a rate higher than that (3.6 %) of India, whose conditions are close to ours, and also higher than the GNP growth rates of capitalist countries in the same period, initially demonstrating the superiority of socialism.

II. The Superiority of China's Socialism at the Present Stage Should Be Manifested Chiefly by the Rapid Elimination of Poverty and Backwardness and the Realization of the Four Modernizations [subhead]

As everyone knows, China has transformed itself from a semifeudal and semicolonial society into a socialist society through a transition period of the new democratic revolution. Old China, which was backward economically, culturally, socially, and technologically, did not give us highly productive forces. On the contrary, it left our young socialism the task of turning the country from an agricultural country into an industrialized one, a task that should have been accomplished by the capitalist system. In the meantime, we have the task of modernizing the country. In the final analysis, this means that our country is still in the initial stage of socialism. Therefore, the superiority of China's socialism at the present stage should be demonstrated in a concentrated way by the more accelerated development of the productive forces, the elimination of poverty and backwardness, and its ability to catch up economically with the developed countries.

However, we have long lacked a sober understanding of the question of socialism's superiority both in theory and in practice and effected a class-transcending or utopian "development" of the question, resulting in various failings and ossified concepts. Their main manifestations are: On the one hand, ignoring the level of the productive forces, we hoped to soon "catch up with Britain and surpass the United States" and achieve the superiority of creating higher labor productivity than the capitalist system and subjectively launched the "Great Leap Forward" and the "Western-Style Leap Forward." And on the other, in the absence of the standards for the productive forces, we dealt with the advancement and superiority of the relations of production one-sidedly and in abstract terms, brought about a "transition

through poverty" from individual ownership to collective ownership and from collective ownership to the ownership by the whole people, and even regarded the idea that ownership was more advanced if it was bigger and more collective and the idea that distribution was fairer if it was more egalitarian as something adding to the superiority of socialism. Haste makes waste. As a consequence, we disrupted the normal development of the productive forces and failed to shake off poverty and to take full advantage of the superiority of socialism.

Since the 3d Plenary Session of the 11th CPC Central Committee, our party has made new efforts to understand socialism and made a scientific judgment that our country is still in the initial stage of socialism, gaining a clearer understanding of the superiority of socialism at its initial stage. Comrade Deng Xiaoping has pointed out: "Socialism means eliminating poverty. Pauperism is not socialism, still less communism. The superiority of the socialist system lies above all in its ability to increasingly develop the productive forces and to improve the people's material and cultural life." (Enlarged Edition, p 53) He combined the basic Marxist tenets with China's national condition and maintained that the destiny and fate of socialism and its superiority and appeal are closely related to the development of the productive forces, the elimination of poverty and backwardness, and the realization of the four modernizations. He has repeatedly told foreign guests: "Now China is still very poor and its per capita GNP is just \$300." (Enlarged Edition, p 44) and as far as the productive forces are concerned, we are still "below the standard." If this situation is left unchanged for long, socialism will lose its appeal in the eyes of the people and its real superiority will be out of the question. Therefore, all comrades in the party should understand the urgency and arduousness of developing the productive forces and eliminating poverty and backwardness and "focus on the four modernizations, persist in developing the productive forces, and never release our grip on this essential point" (Enlarged Edition, p 54). Only in this way can the appeal of socialism be maintained and enhanced, and socialism with superiority be built better.

We must notice that it is precisely because our country is still very poor and its productive forces underdeveloped and its population huge that we cannot take full advantage of the socialist system overnight. It can be fully demonstrated only after the people throughout the country have developed the productive forces through hard work. For this purpose, in the light of the actual conditions in our country, in December 1979 Comrade Deng Xiaoping set the objective of endeavor for the initial stage of socialism which was to be realized by taking two steps: In the first step, we will eliminate poverty and strive to reach a per capita GNP of \$800 to \$1,000 and to achieve a comparably comfortable standard of living by the end of this century. And in the second step, which will last to the middle of the next century, we will reach a per capita GNP of \$4,000 and reach the level of a moderately developed country. In terms of the current

situation, the objective in the first step is attainable. The realization of the objective in the second step requires the strenuous efforts of the people throughout the country. In the course of achieving these two objectives, we can both complete the transformation of our country from an agricultural to an industrial country and basically realize the socialist four modernizations, and "by that time, we can take better advantage of the superiority of the socialist system over the capitalist system and point out the orientation of struggle for three quarters of the world's population and can better prove the correctness of Marxism" (Enlarged Edition p 151), and we can thus demonstrate the incomparable vitality and superiority of socialism.

Long after the PRC's founding, due to the shackles of "leftist" guiding ideology and the blind copying of foreign models, "some of our current party and state systems and institutions were plagued by problems which seriously impeded the full realization of socialism" ("Selected Works of Deng Xiaoping," p 287), and the productive forces and the national economy developed slowly and the people's living standards improved very little in the last 20 years following the mid-1950's. Therefore, "to develop the productive forces, we should reform our country's economic structure and implement a policy of opening up to the outside world" (Enlarged Edition, p 116). Without reform, there would be no way out and no hope for us; and without reform, the great expansion of the productive forces and the full realization of the superiority of socialism would be out of the question. Of course, while making reform, we can meet with obstruction from either the "left" or the right. In the course of reform, various problems may crop up. We should remove all obstructions and solve problems properly and assuredly. The general trend of reform is irreversible and inalterable. For a while some people at home and abroad had doubts and misgivings about our country's reform. In this connection, Comrade Deng Xiaoping has said: "No one can change our current principles, policies, and strategy. Why? Practice has proved they are correct. If they are changed, the country and the people will suffer losses. Therefore, the people will not agree with it." (Enlarged Edition p 71) This demonstrates that reform is a magnificent cause that accords with the will of the party and people and the direct mover for the development of socialist society.

Mishandled Cases of CPPCC Members Redressed
OW190801 Beijing XINHUA in English 0902 GMT
16 Nov 87

[Text] Beijing, November 16 (XINHUA)—The past four years have seen a complete redress of mishandled cases left over from history for all the members of the Chinese People's Political Consultative Conference (CPPCC), said a work report submitted to the 16th meeting of the Sixth CPPCC Standing Committee.

According to the report, 522 out of the 530 CPPCC members who asked for legal rehabilitation had had their

cases corrected by the end of October this year. Some 98.4 percent of the 687 mishandled cases, ranging from political issues to economic demands, have been redressed.

The rehabilitation has aroused the CPPCC members' enthusiasm for the country's modernization drive, and many of them have made constructive proposals. Included were the ones for the establishment of Hainan Province, enhancement of product design in light industry, and afforestation of China's arid and desert areas.

According to another report submitted to the meeting, 1,644 out of the 1,784 proposals submitted to the CPPCC's Standing Committee by members up to the end of October have been handled by the relevant departments.

The meeting opened here this morning, and speaking at the opening session, CPPCC Standing Committee Chairman Deng Yingchao called on all present to study well the report Chinese leader Zhao Ziyang made at the latest national party congress.

The meeting is scheduled to end on November 20.

Yang Rudai on Party, Government Separation
HK200401 Beijing GUANGMING RIBAO in Chinese
7 Nov 87 p 1

[Article by reporter Li Jiajie (2621 1367 2638): "The Crux of Reform of the Political Structure Is To Separate the Party Functions From Those of the Government"—An interview with Yang Rudai, member of the Political Bureau of the CPC Central Committee and secretary of the Sichuan Provincial CPC Committee"]

[Text] It was dusk on 2 November, at the Yuanwanglou Guesthouse, Beijing, where the Sichuan delegation to the 13th CPC National Congress was staying.

The reporter knocked at the door of Yang Rudai, newly-elected member of the CPC Central Committee Political Bureau and secretary of the Sichuan Provincial CPC Committee. The door opened. "How are you, Comrade Rudai!" "Ah, so it's you! I haven't seen you for a year, come in, sit here." Comrade Rudai led the reporter to a seat beside him.

"Have you just returned from the 1st Plenary Session of the 13th CPC Central Committee?" asked the reporter.

"Yes," Comrade Rudai nodded, saying: "The session was very successful. What is the intellectuals' response to the 13th CPC National Congress?"

"They have all shown great concern for reform of the political structure. The response of the university students in the capital is: This is a wise policy decision of the CPC Central Committee."

"Such an appraisal is appropriate," said Comrade Rudai. "Reform of the political structure has been brewing for a long time and is a problem for which the whole party and whole country have shown concern. It is very timely and correct that the 13th CPC National Congress formally included it on the agenda of the whole party."

"How will the reform of the political structure that has aroused the intellectuals' greatest concern be carried out?"

"Comrade Ziyang's report has clearly explained the long-term target, immediate target, contents, and method of reform of the political structure. The crux of reform of the political structure is first to separate the functions of the party from those of the government," said Comrade Rudai. "This is an important reform of the party's leadership system. We must sufficiently estimate its difficulties and make full ideological preparations for them. The separation of party functions from those of the government is mutually related to such matters as the delegation of power to the lower levels, reform of the organs, and reform of the system of cadres and personnel. We must give consideration to reform of the political structure as a whole as we do to the systems engineering of corresponding economic reform and development and carry it out in a guided and planned way. Reform of the political structure is much more complicated than reform of the economic structure and the problems involved are all sensitive ones. Therefore, we should have a resolute attitude and move carefully."

"How can we move carefully?"

After pondering this for a while, Comrade Rudai replied. "If we cannot idealize reform of the economic structure and accomplish it overnight, we cannot then excessively idealize reform of the political structure. We must gradually realize the target and pattern through some transitional measures. In the course of the change from the old economic structure to the new economic structure, some people in the past availed themselves of loopholes, causing certain confusion in economic life. In the future, when we carry out reform of the political structure, we must pay special attention to avoiding such problems and to handling the relations between destroying the old and establishing the new well, and not allow any gaps between the changeover of power. Comrade Ziyang's report clearly provides not only for the functions of the local party committees in exercising political leadership but also for the main responsibilities in five aspects: 'implementation,' 'guarantee,' 'policy decision,' 'recommendation,' and 'coordination.' As there are regulations, we can use them to guide our actions. How should we specifically do this? We, including the provincial, prefectural, and county party committees, must work hard to practice, vigorously carry out exploration, and link our work with realities to gradually form a standard and system. It is impossible for the requirements for, and methods of, separation of party functions from those of

the government at different levels to be completely identical. Even at the same level, they should be allowed to be formulated according to the local conditions. We must not demand uniformity in everything."

"Do Sichuan cadres have a unanimous understanding of the separation of the party functions from those of government?"

Comrade Rudai shook his head, saying, "Since Sichuan carried out reform of the urban and rural economic structure, the attitude of the comrades of the party committees at and above the county level has been very active and they have stood firmly in the forefront of reform and have contributed greatly to the promotion of the development of reform. However, the situation is different in the matter of separating the functions of the party from those of the government. Some comrades worry about whether or not party leadership will be weakened by this and whether or not the government can do things well. A small number of comrades even wonder whether or not 'power will be lost' and 'prestige will be lost' because of this. In a word, some cadres have more ideological misgivings."

"I heard that the situation was similar in other provinces and cities. What is the ideological source of this understanding?"

"The force of habit." Looking back on history since the founding of the country, Comrade Rudai said, "We cannot blame them for this because we have been implementing the system of party unified leadership for a long time and although the situation of party committees taking on everything improved after Comrade Xiaoping put forward the matter of reform of the party and state leadership structures, the problem of understanding the separation of party functions from those of government has not really been solved. The relations between the party and government have not been straightened out. Some comrades are still accustomed to such work methods as 'unified leadership,' 'with the party secretary taking command,' and 'centralizing power in one man's hands to deal with major issues and decentralizing power among people to deal with minor issues.' The change from unified leadership to the separation of party functions from those of the government is not small and I hold that it is normal for this issue to involve a process of understanding and a process of practice."

"How does the Sichuan Provincial CPC Committee understand this matter?"

"Let's not talk about other comrades." Comrade Rudai said frankly, "So far as I am concerned, when the Central Authorities suggested last year that the functions of the party should be separated from those of the government, I held that the party and government could divide up the work but 'separation' could hardly be achieved. Subsequently, through investigation, study, and repeated

reflection, we gradually came to realize the reason. The targets of our party committees, people's congresses, and governments are unanimous but their functions different. Their functions must be clearly separated. This separation of functions is different from the division of work among the members of the same functional organ. The proposal concerning the 'separation of the functions of the party from those of the government' therefore conforms to reality and to the requirements for accuracy and science. If local party committees which undertake political leadership functions exercise the functions of the organs of state power and 'do what should not be done by them but by others,' this will surely affect the independent and responsible functioning of organs of state power, hinder cadres and the masses of all quarters from giving play to their enthusiasm, and finally lower the party's leadership status and weaken the party's leadership role. As a county party committee secretary of Sichuan said, 'The replacement of the government by the party' is virtually 'the replacement of the party by the government' and this remark thoroughly explains the defects of not having a separation."

"At present, there is a view that after the separation of the functions of the party from those of the government, the party committees will grasp the party affairs and will not be required to take care of economic work. Is this view correct?"

"This statement illustrates a difficulty of the separation of the party functions from those of the government." Comrade Rudai explained, "The relatively big difficulty in separating the functions of the party from those of government lies in economic work. There is now a misunderstanding that the separation of the functions of the party from those of the government means that the government attends to economic construction and local party committees take care of ideological and political work and their own building. This is incorrect. If we act according to this idea, it is very likely that economic work and political work will be separated as 'politics and profession' and that we shall be hindered from unswervingly implementing the party's basic line with economic construction as the center."

"After the 3d Plenary Session of the 11th CPC Central Committee, our party effected a historic change and shifted the focal point of the party's work to economic construction. A high price was paid for it and it was hard-earned. This was so with all the achievements scored over the past 9 years. Comrade Xiaoping frequently said that economic construction was the greatest politics. Concentrating forces to carry out modernization is a guiding principle to which we must long adhere time and we cannot be shaken in the slightest. I hold that the definite answer to whether or not local party committees should grasp and tend economic work is that they must grasp and tend it. The purpose of separating the functions of the party from those of the government is to mainly solve properly the problems of how to grasp and tend it. In the past, we adopted the view that 'the county

party committees assumed overall responsibility for the whole economic situation' and this 'assuming overall responsibility' can be easily taken for 'monopolizing everything.' According to the requirements for the separation of the functions of the party from those of the government, we have changed it to 'grasping the overall situation in economic development and reform.' This is also not necessarily accurate and we can still change it in the future course of practice. Nevertheless, no matter how it is changed, grasping cannot be changed to not grasping."

"Can the grass-roots cadres accept these viewpoints you mentioned?"

"Judging from the practice of the Sichuan townships which are conducting experiments in separating the functions of the party from those of the government, the grass-roots cadres can change these viewpoints to practical actions," said Comrade Rudai. "The experimental townships have already achieved some things: The target of struggle of the party and government departments is the same but their functions are separated; their important problems are the same but their ordinary work is separated; and their rush jobs are the same but their regular work is separated. The results are very good. Party building, ideological and political work, and cultural, scientific, and technological work has been strengthened; the administrative functions and role have been further brought into play; the change in work style has been promoted and the sense of responsibility of every cadre strengthened; the establishment of the system of personal responsibility has been promoted and enthusiasm aroused."

"It seems then that what could hardly be separated in the past can now be easily separated?"

"Judging from practice in Sichuan, the key lies in ourselves. So long as we change our ideas, our understanding can keep abreast of the times, and if we are bold in exploring the way to separate the functions of the party from those of the government, the lower levels will naturally follow. Do you think this is the way?" Comrade Rudai is well-known for his amiability and ease of approach. By this time, he had put a nearby wastepaper basket between us, and said with a smile: "Don't just talk! Have a melon. Here, take this big one!"

Commentator on Understanding 'Initial Stage'
HK200703 Beijing JIEFANGJUN BAO in Chinese
14 Nov 87 p 1

[Commentator's article: "We Can Study and Understand Things Well and Clearly Only by Seeking Truth From Facts"]

[Text] The theory on the initial stage of socialism is the key to mastering the spirit of the 13th party congress. To study the 13th party congress document and grasp the essence of Comrade Zhao Ziyang's report, we should

first understand the "initial stage" theory. To do this, it is important to adhere to the party's ideological line of seeking truth from facts. The "initial stage" theory is established on the basis of soberly realizing our national conditions and the international environment around us and on the basis of summing up the positive and negative experience. It is a product of the party's ideological line of seeking truth from facts. Only when we have a spirit of seeking truth from facts can we really understand and accept this theory and bring our thinking into line with the spirit of the 13th party congress.

Some comrades said: "Socialism has been pursued for more than 30 years in our country, why is it still in the initial stage?" Indeed, our country became a socialist society in the 1950's after the socialist transformation of the ownership system over the means of production. However, our socialist system emerged from the womb of a semifeudal and semicolonial society, and the productive forces in our country lagged far behind the developed capitalist countries. This determines that we must go through a very long initial stage to accomplish industrialization and the commercialization, socialization, and modernization of production, which other countries have achieved under capitalist conditions. The socialist system can be established in an economically and culturally backward country such as ours, but the stages in the development of the productive forces cannot be skipped over. For a long time in the past we did not understand this, and erroneously thought that the socialist period would be just a short one, and even naively thought that we might enter communism through a "great leap forward." We were too impatient for quick results and sought absolute perfection. This was the cognitive root of the repeated "leftist" mistakes and the setbacks in our socialist construction. The report to the 13th party congress profoundly explained that our country is situated in the initial stage of socialism. This is the victory of the ideological line of seeking truth from facts. The thorough correction of the basic guideline theory enables us to shake off the previous utopian ideas about socialism and return to reality. The "initial stage" theory provides a correct footing and starting point for the building of socialism with Chinese characteristics. Obviously, this marks a leap forward in our knowledge about socialism rather than any retrogression. It will keep our minds sober, effectively prevent "leftist" and rightist mistakes, maintain the continuity of the party's correct line, and promote political stability and unity and sustained and steady economic development. Our achievements in socialist modernization construction since the 3d Plenary Session of the 11th CPC Central Committee have proved, and our future practice will continue to prove, this. So, we cannot approach the scientific theory about the initial stage of socialism from some abstract concept, but should understand it in connection with our positive and negative experience in socialist construction in the past 30 years and more. Only thus can we really understand the correct and profound nature of this theory, and realize its great guiding significance.

Some comrades asked with concern: "It is still an initial stage even though we have done a great deal of work. Will this make people feel frustrated?" It is not impossible that such a feeling may appear. However, this is precisely a problem that we should solve through studying the theory about the initial stage of socialism. The initial stage of socialism is an objective fact in our country whether people acknowledge it or not. To transform the world, we communists should first correctly know the world. Our party now has a sober knowledge about the reality in our country and bases its line, principles, and policies on this reality. This shows that our party is serving the people wholeheartedly, has a revolutionary sense of responsibility to the people and a scientific attitude of proceeding from reality, and has the determination and confidence to lead the whole nation to change this reality. The report to the 13th party congress answers this question when expounding the theory of the initial stage of socialism. While analyzing our basic national conditions and pointing out that we are still situated in the initial stage of socialism, the report seriously points out: "Today's world is characterized by a rapidly growing revolution in technology, increasingly intense market competition, and a volatile political situation. We face formidable and pressing challenges. If we do not recognize this and redouble our efforts, our country and our people may fall further behind, and China will not be able to take its rightful place in the world." Then, the report proves that it is essential to take the development of productive forces as the center of all work, calls on the whole people to make joint efforts and work hard for the great national rejuvenation of China, and puts forth the strategy for economic development and the tasks in economic and political structural reforms. The basic line for the initial stage of socialism also stresses self-reliance and intensive and pioneering effort. Obviously, all this will inspire people's morale rather than frustrating them. Therefore, when studying this theory, we should not merely talk about it, but should also arouse our lofty sense of mission and participation to change the motherland's conditions and realize national rejuvenation. We should always maintain high morale and work hard in our posts to make contributions to the creation of a new situation; at the same time, we should also correctly treat the difficulties that we may encounter when deepening the reforms and the inevitable adjustments of social interest relations. We should be ready to sacrifice our individual, partial, and temporary interests for the sake of the overall and long-term interests, and should actively dedicate ourselves to the reform cause.

The theory on the initial stage of socialism is a product of our efforts to seek truth from facts and to emancipate our minds, and is also a powerful weapon for guiding us to fully display our initiative and creativity by proceeding from the reality. Only by seeking truth from facts and thoroughly emancipating our minds from the previous shackles of the "leftist" ideas can we really master the theory on the initial stage of socialism; and only thus can we broaden our vision and correctly approach reforms.

In a word, we should use the theory about the initial stage of socialism to observe and analyze things, seriously study the realistic and creative theoretical approach, work in a down-to-earth manner, bravely make advances and break new ground, and make greater contributions to the modernization of the country and the army.

Yang Shangkun Discusses Archival Work

HK200409 Beijing RENMIN RIBAO in Chinese
15 Nov 87 p 4

[Article by Yang Shangkun (2799 1424 2492): "A Preface to Archival Work in Contemporary China"]

[Text] Archival work is very important work which has always received attention from the CPC. As early as the period before 1949 and under the circumstances of secret struggle and revolutionary wars in this period, the party already paid much attention to preserving archives. Many comrades gave their blood and lives for this work. Comrade Mao Zedong himself carried two small boxes of documents on the Long March from 1934 to 1935. He said: We can give up our lives but we cannot lose these documents. In 1931, Comrade Zhou Enlai personally planned and designed the secret archives storehouse of the CPC Central Committee in Shanghai. Archives of the Central Committee were preserved there until the liberation, and large volumes of valuable archives of the party were thus preserved. Since the establishment of the PRC, the party and the government have adopted measures to take over the archives left by the Ming and Qing dynasties and the KMT [Kuomintang] government, collected archives of revolutionary history, trained archives cadres, and set up organizations of archives work and a state archives system, to manage the archives continually formed by various organizations and units. In these 30 years, archives work has developed from a preliminary to a concrete level, and it has also developed from a simple level to a comprehensive arrangement. It has become a state undertaking with a substantial degree of operation, and it has also played an important role in socialist construction.

An archive is a historical record of various production, work, and activities. It is also an important source of information. It is the basis for carrying out investigation and for summing up experiences. Moreover, it is an important source of essential data for economic development and scientific research. The CPC Central Committee decided to open the archives to people so as to provide convenience in using the archives, and to guarantee that the needs of the work of editing and compiling historical records can be satisfied. Facts prove that archival work not only plays an important role in various present tasks. It is also an important undertaking in defending the real historical images of the party and the state. We should pay a high degree of attention to this work, and should seriously carry it out in an improved

way. Besides, archival work should serve the modernization of industry, agriculture, science and technology, and defense, and the building of socialist material and spiritual civilization.

Archival work is a science. People engaged in archival work should understand history, the present circumstances, and the objects they are going to serve. Moreover, they should apply modern scientific management methods to archives management, so that scientific management of archives and the provision and use of archives can be better implemented. Personnel engaged in archival work should assiduously study Marxism-Leninism-Mao Zedong thought, study the line, principles and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, and have a certain political and ideological level. In addition, they should continuously acquire scientific and cultural knowledge, better understand history, work hard to master their work, and have sufficient level of scientific and cultural knowledge and professional knowledge. Furthermore, they should love their work, work hard, and have the dedicated spirit of the unknown heroes of those days; they should seriously follow the systems and regulations, and raise their political vigilance to safeguard party and state secrets.

Since the establishment of New China, particularly since the 3d Plenary Session of the 11th CPC Central Committee, archival work has achieved substantial development. However, there is still a gap between the objective needs and this level of development. Therefore, the most urgent tasks at this moment are to sum up past experiences, further explore the laws governing archival work, strengthen the construction of archival work, modernize archival management, and work hard to explore sources of archival information. In this way, archival work can meet the need and effectively serve socialist modernization.

"Archival Work in Contemporary China" records the achievements and experiences in archival work since the establishment of New China. "Reviewing the past helps one to understand the present." This book is helpful for analyzing the history of the development of archival work, and for learning past lessons. Moreover, it can also continuously raise the quality of work, explore new roads for advance, and train new personnel for archival work. It is worth study and reference by archival workers. At the same time, it is hoped that, through reading this book, readers will understand the archives work of New China, and feel concerned for and support the development of this work.

Wan Li Lights Torch for National Games
OW191313 Beijing XINHUA in English 1637 GMT
17 Nov 87

[Text] Beijing, November 17 (XINHUA)—The Sixth Chinese National Games torch was set ablaze by Vice Premier Wan Li at the torch-lightening ceremony tonight at Tiananmen Square, center of Beijing.

A number of 300 athletes and juveniles lined up at the square. They held torches to run along the Changan thoroughfare, main street in the capital.

As secretary of the Central Committee of Chinese Communist Youth League Li Yuanchao handed the torch to Hu Tao, an athlete from Beijing, and ignited by six other athletes which symbolized the Sixth National Games, the crowds of onlookers including Vice-Minister of the State Physical Culture and Sports Commission He Zhenliang cheered.

After the torch makes its way across Beijing, it will be flown Wednesday to Guangzhou, venue for the national games which is held every four years. It will then be carried in 25-kilometer relay in Guangzhou.

Ship Gunnery Weapons System Design Approved
HK111350 Beijing XINHUA Hong Kong Service
in Chinese 1353 GMT 5 Nov 87

[Report: "China Finalizes the Design of the First Generation of Ship Gunnery and Weapon Systems It Has Developed"]

[Text] Beijing, 5 Nov (XINHUA)—Today, Beijing has passed the final design of an improved heavy-calibre ship gunnery weapons system. This first generation ship gunnery weapons system was researched and manufactured in China. This improved ship gunnery weapons system is one of the major equipment systems for principal warships in the Navy. This system is able to, under any visibility condition and under the conditions for the use of such weapons, detect and follow sea and air targets and automatically aim at and attack the target within the most effective shooting range. The application of new technology and original parts has greatly enhanced the stability and reliability of the system, which is also easy for the Armed Forces to use and maintain.

Golf Coach Discusses Zhao Ziyang's Game
HK200641 Hong Kong SOUTH CHINA MORNING
POST in English 20 Nov 87 p 3

[By John Crean]

[Text] The Chinese Communist Party General-Secretary, Mr Zhao Ziyang, could soon be engaging in golfball diplomacy.

For the past 14 months, Mr Zhao, 68, has been taking lessons in golf, a sport which until recently was frowned upon by the Chinese authorities.

According to his coach, former Hong Kong professional Mr Peter Tang, Mr Zhao is now a steady player and will soon be capable of holding his own with any visiting diplomats who enquire about a friendly 18 holes.

"When I first went up to Beijing to teach him, his swing was awful," said Mr Tang with a grin. "But it has improved a lot—now it looks like a swing."

"He is very keen and a very good pupil. His wife says that since he started to play golf he is eating and sleeping better."

Golf has enjoyed a remarkable renaissance in China over the past couple of years and a combination of political savvy and interest in sport prompted Mr Zhao to learn more about the game.

The bug soon bit and he sought expert advice to help him graduate from hitting into a practice net in his back garden to shooting pars at the new Beijing International Golf club.

The Hong Kong-based owners of the Zhongshan Golf Club in Guangdong Province were asked to help and within weeks Mr Tang, who is now the resident professional, was despatched to Beijing with a brand new set of Mizuno clubs for the Chinese leader.

"I stayed for a week and he fitted lessons into his busy schedule. If he was attending a meeting in the afternoon we would play in the morning and the other way round the next day," said Mr Tang, the man who has nurtured the young players in the China national team over the past two years.

On subsequent visits, Mr Tang took video film of Mr Zhao in action.

"In the evening, after dinner, we would sit down and watch the video. I explained what was going wrong with his swing and what he could do to correct it," he said.

"Mr Zhao's wife was very understanding about us disappearing after dinner. She encourages him to play golf."

Although Mr Zhao has not been given an official handicap, Mr Tang reckons he could play to 24 chiefly because "he never loses a ball".

"The course is very flat and very wide. There is not much trouble but if his ball goes astray he is always determined to find it," said Mr Tang.

And the General-Secretary's best shot? "He hits his tee shots 160 metres, which for his age is very good."

Despite his increasing workload, Mr Zhao aims to continue heading for the first tee and Mr Tang plans another series of lessons next month, weather-permitting.

Article Urges Integrating Planning, Market
HK200811 Beijing RENMIN RIBAO in Chinese
16 Nov 87 p 5

[Article by Gao Shangquan (7559 1424 0356): "Effectively Bring About the Inherent Integration of Planning With the Market"]

[Text] The economic structural reform is related to many theoretical issues. The key issue is how to correctly view and handle the relationship between planning and the market. Comrade Zhao Ziyang's report to the 13th Party Congress pointed out: "The socialist planned commodity economy should be a system that integrates planning with the market." Clearly explaining the relationship between planning and the market in theory and effectively realizing the inherent integration of planning with the market is not only a need in the current in-depth reforms, but also a key issue that must be clarified in order to establish a new framework for the planned commodity economy. Without solving this issue, the general objective of the economic structural reform will still be vague, and we will not be able to work out overall coordinated relations in the major aspects. Moreover, our concrete reform measures may become vacillating and inconsistent, and this will directly affect the entire reform process.

Planning and the Market Are Both Means of Economic Regulation, and They Do Not Reflect the Fundamental Nature of a Social System. Under Public Ownership, Their Functions Can Be Better Brought Into Play [sub-head]

At present, capitalist countries, especially developed capitalist countries, have attached great importance to government control over the overall economy and to regulation through planning. On the other hand, in view of the problems caused by the excessive concentration of power in the traditional economic structure, socialist countries have created a tide of reform by laying stress on changing the previous management system which relied mainly on rigid administrative orders and giving more play to the role of the market in regulating economic operation. The two kinds of changes show a convergent tendency in the forms of economic operation and the means of economic management under different social systems. However, this is just a phenomenon of convergence in means and methods, and it does not mean that the two different social systems will converge. The adoption of planning as a means of economic regulation in the capitalist countries does not change the capitalist nature of the social system in these countries. The adoption of the market mechanism as a means of economic regulation in our country also does not change the socialist nature of our social system, and it will just perfect our socialist economic management system and management methods. In the final analysis, the socio-economic nature of a country is determined by its ownership system. It is the different ownership foundations that distinguish the nature of socialist commodity

economy from that of capitalist commodity economy. The form of economic operation and the means of management do not determine the socioeconomic character of a country.

Why has economic regulation through both planning and the market become a common tendency in modern economies?

This is because:

First, neither capitalist commodity economy nor socialist commodity economy can be separated from the market. According to Marxism, the market is inseparably linked to the social division of labor and commodity production. Lenin said: "The 'market' exists wherever there is social division of labor and commodity production." ("Collected Works of Lenin," Vol 1, p 83) Therefore, both socialist commodity economy and capitalist commodity economy must make use of the market mechanism as a means of economic regulation.

The market is a product of commodity economy, and commodity economy is a stage that socialism cannot skip over. Therefore, in order to develop socialist commodity economy, we must follow the objective regularity of commodity economy, including the law of value and the laws governing commodity and currency circulation, and must give play to the role of the market mechanism in regulating the production and circulation of materials so as to bring production into line with demand, speed up the turnover of funds, and improve product quality and economic returns.

The market will continue to grow and develop along with the development of commodity production and exchange. With the development of the commodity economy and the deepening of the economic structural reform, the socialist commodity and capital markets will continue to grow, and the scope of economic activities based on commodity and money relations will continue to expand and deepen. Under these circumstances, our task is not to use simplistic administrative means and orders to restrict and obstruct the growth of the commodity and capital markets or even to ban the markets in an arbitrary way once some problems are discovered. What we should do is learn how to use indirect means of control and legal means to effectively guide and organize the market. We should not be awed by the sight of the market, and should not negate the market when we encounter some problems. We should believe that we have the ability to control the market. With the improvement of the macroeconomic management system, the market mechanism will play a role in regulating the economy in a favorable environment where "effective rather than rigid management ensures animated rather than disorderly economic activities," and will thus enable the socialist market to develop in the orientation of being more open and orderly.

Second, modern socialized mass production needs the employment of the planning means. Lenin said: "Being different from previous stages, modern industry has a firm requirement for planned adjustment of production and social supervision over production." ("Collected Works of Lenin," Vol 3, p 497) Large-scale socialized production turns the various sectors and units of the national economy into a unified entity, in which they condition and depend on each other on the basis of division of labor and cooperation. In order to ensure orderly and effective production, there must be close temporal and physical cooperation and coordination, and there must be a set of basic regulations and clear targets for economic operations and macroeconomic management. Therefore, regulation through planning has become a necessary condition for the normal operation of social reproduction.

The development of modern science and technology provides the necessary material conditions for the state to control and regulate the overall economy through planning. The modernization of transport facilities and the rapid development of postal and telecommunications facilities, information-processing facilities, and the electronics industry have enabled the macroeconomic management center to rapidly know the conditions of economic operation and the problems in economic operation so as to take effective measures to make adjustments in good time. It has become very important for the government to exercise planned management over the overall economy by making use of planning as a means.

In short, regulation through planning and through the market are both processes of economic operation and economic management method. They do not bear any social character and are not antagonistic. The viewpoint that planned management only exists in socialist economy, while the market and market regulation only exist in capitalist economy is not in line with the facts in real economic life and is rather subjective and one-sided. Although there are differences in the scope of the opening of the market, in the degree of planned management, and in concrete management methods from one country to another, planning and the market, as a process of economic operation and a form of economic management, exist in all modern economies.

We should point out here that under the conditions of socialism, because the system of public ownership of the means of production has been established and the contradiction between the socialization of production and the private ownership of the means of production has been eliminated, it is possible to make more effective use of the means of planning and of the market mechanism in regulating the economy, and to better organize various departments of the national economy, various localities, and various enterprises into a unified organic entity. In socialist commodity economy, it is possible to maintain the coordinated development of the national economy and to realize a higher level and a better form of planning in the entire society. This will be a major demonstration

of the superiority of socialism. However, to turn this possibility into reality, we still have to carry out reforms and to learn how to correctly make use of the market mechanism. This also needs the efforts of millions of people.

Gradually Reducing the Scope of Mandatory Planning Through the Signing of Contracts and Other Methods Is a Need in Developing Socialist Commodity Economy and Is Also an Inevitable Tendency of the Reforms [subhead]

Mandatory planning is a product of the planned economy and is a characteristic of the highly centralized traditional structure in the Soviet Union. The Soviet Union established such a structure for various reasons. In theory, it was held that on the basis of public ownership, disparity and contradictions of interests between various social groups no longer exist, and stress was laid only on the uniformity of people's economic interests. The concentration and mandatory character of planning was taken as the main sign that distinguishes socialist planning from regulation through planning in capitalism, and as the main demonstration of the superiority of socialism. In practice, the mandatory planning system in the Soviet Union was determined by the then historical conditions and political tasks. Mandatory planning played a positive role in coping with the encirclement by the imperialist powers, in building up strong defense forces, and in concentrating the human, material, and financial resources to develop heavy industry. With continuous economic development and scientific and technological progress, mandatory planning has become more and more unsuited to the development of productive forces, and its defects have been realized by more and more people. At the CPSU Central Committee plenary session last June, Gorbachev explained the necessity for abandoning mandatory planning. He said: "It is merely an illusion to think that the central authorities are able to arrange everything in advance over such a huge economic range as ours."

Economic contracts and other forms of plans can gradually replace mandatory planning, integrate plans with contracts, and base planning on commodity exchange and on the law of value. This should be taken as a major target and orientation of the reform of the planning system. Concretely speaking, first, economic contracts should be signed between the state and the enterprises and between one enterprise and another in light of the principle of exchange of equal value. Exchange of equal value is the only principle that can be accepted by all interest groups when they establish economic relations. Second, the market mechanism should be introduced, and each side can select the best contracted partner through inviting tenders openly. Third, economic interests and responsibilities must be clearly specified in contracts.

The gradual replacement of mandatory planning by economic contracts and plans based on contracts will only strengthen the planned and scientific character of

the economy, rather than weakening planning. This will have the following advantages: First, plans based on contracts can be formulated in a more scientific way, and can avoid the subjective and unrealistic elements in mandatory planning. Second, such plans based on economic contracts are closely related to the economic interests and responsibilities of the parties concerned, and are guaranteed by legal means. This will help the establishment of the self-motivating and self-disciplining mechanisms in the enterprises, and help turn them into commodity producers and dealers. At the same time, it will also regulate the actions of the relevant government departments. Third, it will inherently and organically integrate planning and the market and will prevent their separation. Fourth, it will help change the government function from laying down mandatory plans and distributing money and materials to exercising indirect management mainly by means of economic programs, economic contracts, economic levers, and other economic and legal means so as to create conditions for the reform of the administrative structure.

The adoption of economic contracts and plans in the form of contracts and the gradual replacement of mandatory planning by such contracts represent a major breakthrough in reform theory and practice. There must be a gradual transition process in this regard. At the same time, full preparations should be made.

First, there must be a major change in our mentality. Over the past few decades, the traditional form of planned management has been mainly based on the management of materials and the issuance of mandatory plans. To gradually replace mandatory planning with economic contracts and other methods, we must do away with the concept of the product economy, get rid of the viewpoints that "only mandatory planning can represent the planned economy" and that planned management is something like "a handful of rice grasped in the hand," and firmly establish the concepts of socialist commodity economy and exchange of equal value.

Second, governments at various levels should gradually change their functions, and the range under direct control through planning should be reduced. A new system, under which "the state regulates the market, and the market guides enterprises," should be gradually established. Governments at various levels should gradually master the skill of managing the economy through economic means.

Third, after the state reduces the range under direct control through planning, the state will still need to exercise direct control over a very few large backbone enterprises and over some vital products, but the content and form of such control should also be changed and improved and should be brought into line with the principles of socialist commodity economy. When the state distributes key materials through planning, it should also change the previous practice of allocating the materials level by level. The materials should then be

directly delivered to the enterprises and construction projects by the planning department and the materials distribution department, or directly transferred from the supplier units to the user units. The function of economic departments in governments at various levels in managing and distributing materials should be reduced, and their direct intervention in production and construction should be reduced.

Along With Economic Development and the Deepening of the Reform, the Form of the Combination of Planning With the Market Will Also Change. Material Plans Will Be Replaced by Policy Plans. This Is a Need of Economic Development and Reform [subhead]

The practice of socialist construction shows that the form of the combination of planning with the market is not invariable. In the early stage of industrialization, because the market has not been fully developed, it is still possible and necessary to have concrete and extensive government intervention and to have material plans. With the development of the economy, the market will become mature, and economic relations will become more complex. Then, policy plans, as effective guiding plans, will gradually replace material plans. This is not only necessary but also possible. In the course of implementation, policy plans can be continuously assessed, revised, and improved, so they are development plans with elasticity. In particular, medium-term policy plans should basically exclude material targets and include only principles, policies, and objectives according to the analysis and forecast for the economic situation, and their implementation should be guaranteed through the market mechanism.

The change from material plans to policy plans is a major change in our planning work. Practice shows that in order to play a guiding role, policy planning should not merely be a matter of working out some guiding targets, like those in traditional guiding plans. In fact, if there are only some guiding targets, and no concrete policies and measures, the guiding plans will not be able to play any role in guiding production and construction.

Policy planning should mainly include the following elements: first, policy targets, including structural targets, quantitative targets, technological targets, economic results targets, and other economic and technical targets; second, policy means, including financial, taxation, credit, and currency means; and third, policy measures, including tax rates, exchange rates, reserve rates, interest rates, the adjustment of prices and money supply, and the timing of the implementation of various concrete policies. The policy targets, policy means, and policy measures in medium-term plans and annual plans should be well coordinated so as to maintain the relative stability of the policies. In particular, in the annual plans, the policy targets must be clear; the policy means must be coordinated so as to prevent one thing from offsetting another; and the policy measures must be effective. Attention should also be paid to the handling

of feedback and to the monitoring of the implementation of the policies. At present, we should concentrate on studying and formulating the policies for the structure of each trade, the regional structure, and the technological structure. This is a basic task for the changing of material planning into policy planning. The planning departments and economic management departments at various levels should take the study and design of structural programs and structural policies as a major task in their work schedule. The financial departments, taxation departments, banks, and price control departments should also study their respective policies and measures in accordance with the macroeconomic policies and the general structural targets.

The implementation of the policy targets, policy means, and policy measures is in essence a process of making use of the market mechanism in a planned way to guide the operation of the economic units through the adjustment of relevant policies which will influence their economic interests. Therefore, the implementation of policy plans must rely on the operation of the commodity market, the capital market, and the technology and labor markets. This will then integrate planning with the market in an organic way. All this is not only a need in guaranteeing the sustained and steady development of the overall economy, but also a major task in the present economic reforms.

Through economic contracts and other methods, the scope of mandatory planning will gradually be reduced, and mandatory planning will be replaced. Material planning will gradually change into policy planning. Planning will be organically integrated with the market. All this will bring about major changes in the economic operational mechanisms and the macroeconomic control mechanisms. In general, this will create a new situation in which the state regulates the market, and the market guides enterprises, thus forming the economic mechanisms in which planning is inherently integrated with the market. Economic relations between enterprises and the government's planning work are all based on commodity exchange and on the law of value. Enterprises determine their production and operation goals according to supply and demand in the market. The government mainly uses economic and legal means to regulate relations between supply and demand in the market so as to create a favorable economic and social environment and to guide the enterprises in making their decisions. This is a structure in which the government exercises indirect control over the economy.

Paper Discusses Shift in Consumption Mix
HK200927 Beijing GUANGMING RIBAO in Chinese
7 Nov 87 p 3

[Article by Sun Xufei (1327 2485 7378): "Strategic Choices in the Shift in China's Consumption Mix"—passages in boldface as published]

[Text] At present, the study of the industrial mix and of industrial policies and their realization have become hot topics of discussion in our economic activity. But there is

no overlooking the fact that the evolution of the industrial mix suffers from the restrictions and effects of the consumption mix. Whether our consumption mix is a correct choice will ultimately determine whether our future industrial mix can bring about a satisfactory and benign change.

More than a dozen years ago, when the consumption level stood at a few hundred yuan, people were keen on getting the "three big pieces taken for granted." So, given a level of being relatively well off and a consumption level reaching the 10,000-yuan level, what consumption mix is compatible with a 10,000-yuan consumption level? If this problem is not clearly outlined, a change in the industrial mix can only cause complications and confusion. The problem of the future industrial mix will be more acute.

In light of the road traced by developed countries, the 10,000-yuan-level of consumer goods covers sedans, residences, photographic equipment, sightseeing tours abroad, and so forth. Sedans still cannot possibly be brought into families in the urban areas of our country in large numbers. At present, our country still relies on large numbers of imported cars. Even with the establishment of a fair-sized automobile production factory beginning from now, by the end of the century we could only reach the stage of finding substitutes for imported cars and servicing them. Even if we had the production capacity, there are such restraining factors as the population, the environment, the road, car parks, fuel, and so forth. If the development of tourism again suffers from the restraints of foreign trade, domestic transportation, and the consumption habits of our citizens, then the prospects for development are after all limited. So we have no other alternative. The only and also most urgently needed choice is the development of residential housing. But in developing residential housing, we must resolutely follow the road to the commercialization of residential housing. Commercialization covers sales and leases. We have no other choice. Therefore, our strategic choices in our future consumption mix should be as follows:

1. We must develop home consumption with the commercialization of residential housing as the focus of the effort. In light of our national conditions, around the year 2000, the void in urban residents' personal consumption should not mainly be nor can it be outdoor consumption. Instead, it should be indoor consumption. The commercialization of residential housing should stimulate the development of a series of home consumer goods trades, such as interior decoration, sanitary and kitchen equipment, and family cultural and recreational equipment, and also the real estate industry. From the high plane of strategy, the key to success in agricultural reform lies in an "agrarian revolution" carried out in the new historical period, thus enabling peasants to do away with extreme personal reliance on land. The commercialization of urban residential housing will mean a profound

"consumption revolution." This will have an inestimable effect on changing our irrational consumption mix and industrial mix and improving our social structure.

2. We must generate public (social) consumption, with the development of urban fundamental facilities and cultural facilities as the focus of our effort. At present, our country has a very weak base as far as urban fundamental facilities are concerned. Urban roads, communications, water, electricity and gas supplies, commercial services, and so forth all fall short of development needs. Urban residents' cultural consumption is also very low. Therefore, through commercializing urban housing and other means, we can carve out a capital-generating path in developing urban fundamental facilities. Meanwhile, through the energetic development of schools, libraries, museums, cinemas, theaters, cultural and recreational palaces, gymnasiums, amusement parks, and other public consumption undertakings, we can satisfy the increasing cultural and mental needs of residents and guide their consumption patterns. The commercialization of residential housing creates the possibility for the development of fundamental urban facilities and cultural facilities. With the commercialization of residential housing, the expected rising consumer demand by residents can in turn provide convenient and rich spiritual enjoyment through developed fundamental urban facilities and culture to balance consumer demand.

3. We must develop rural cultural consumption, with the improvement of the rural educational level as the focus of our effort. After the countryside surmounts the problem of food and clothing supply, what should our rural consumption mix and consumption pattern be? This calls for a correct choice. Generally speaking, our cultural and educational level is very low. The rural cultural and educational level is especially low. Therefore, after peasants have gradually become rich, we must guide them so that they can do the following: They must energetically invest in intellectual efforts, change the situation of rural cultural and educational backwardness as quickly as possible, enrich rural spare-time cultural life, strengthen the exchange of social, economic, and cultural information between urban and rural areas and bring about the proper development of civilization construction in the vast rural areas of our country.

Paper Views 'Getting Rich First' Policy

HK200851 Beijing GUANGMING RIBAO in Chinese
7 Nov 87 p 3

[Article by He Wei (0149 0251): "Entrepreneurs Should Also Be Allowed To Become Rich Before Others"]

[Text] Some people have become rich before others because of the development of specialized households in villages and the rise of self-employed households in cities. This is a great attraction and inspiration to the

masses. The present question is how to execute the policy of allowing a small number of people to become rich first in state-owned and collective enterprises in township and town areas.

The policy of encouraging a small number of people to become rich first should include two aspects: The first aspect is the small number of people who have become rich can be an example to others to attract and inspire the general masses to take the road of common prosperity; the second is these people not only play an exemplary role, but also create more revenue for the country and provide quality assurance of common prosperity for the people. The former are basically peasants and self-employed operators and the latter are mainly factory directors (managers) of enterprises. Allowing entrepreneurs to become rich first has a decisive effect on the modernization and common prosperity of the country. This is because a large portion of the state revenue is from the large and medium enterprises which are the material and technological foundation of the country's modernization. The majority of staff and workers are employed in these enterprises. Only when entrepreneurs become wealthy first can they be instrumental in bringing wealth to the country and leading people to common prosperity. Our ideas and policies should correspond with this.

First, it is necessary to change the administrative management system of enterprises and factory directors and to solve the material remuneration problems of enterprises and factory directors by financial means. At present, the management of enterprises is mostly exercised according to administrative grades and remuneration for entrepreneurs is determined according to grades to "ensure stable yields despite drought or excessive rain." This management system should be changed so that enterprises will break away from administrative grades and the government will separate from enterprises. It is necessary to carry out reform of the factory director (manager) distribution system so that their income will correspond with operating returns and they are remunerated according to a certain ratio of the after-tax profit.

Second, we must abolish the system of appointing cadres from the superior level and employ factory directors (managers) to cope with the needs of the contracted responsibility system, which requires enterprises to invite and recruit factory directors (managers) from society. Factory directors (managers) who emerge from competition and selection are capable of working at high as well as low levels. This practice encourages the appointment of worthy and capable people and allows the emergence of management talent with the pioneering spirit; and these people will form the entrepreneur stratum of the country. Their remuneration must correspond with the effort they give, the responsibility they shoulder, and the risks they take in operations. The remuneration should not only include distribution according to work but should also include compensation

for risk. The portion of distribution according to work is based on enterprises' production conditions. In factories with good production conditions, the salary of the factory director (manager) should be three to five times the average salary of all the workers. If this ratio is too high, certain side effects are bound to emerge at the present stage. Income for risk should be in direct ratio with operating returns and the degree of risk. No matter what the revenue is, there must be no limitation nor ceiling amount and it must be paid in full.

Third, it is necessary to break with the idea of egalitarianism. When factory directors (managers), who have contracted responsibility or leased contracts, receive more income as stated in the contracts, people talk as if the directors are making ill-gotten fortunes, have gone against the socialist principle, and become exploiters. We must acknowledge that only when directors (managers) with operating skills and pioneering spirit combine their wisdom and talent with the state's means of production and workers will there be good production returns. That directors receive higher income is the true embodiment of the principle of distribution according to work. In fact, when it comes to distribution, the state and the enterprises will receive a large portion and the entrepreneurs only a small portion.

Of course, when we set up the ratio for specific distribution, we must give serious consideration to people's ability. The first method of handling extra-high income is to levy individual income tax to narrow the gap in distribution; the second method is to ask entrepreneurs to deposit the extra money in the bank as special security funds for operational risks and covering operating losses and this amount is not for individual expenses or other expenses. This also solves the long-standing problem of enterprises only being responsible for gains and not losses. When an entrepreneur no longer operates the enterprise or retires, he can, under the regulations, withdraw a certain portion of the deposit from the bank as a reward or retirement subsidy and does not have to submit the remaining portion to the state treasury; he can donate the money to society and establish different special funds in his name.

Allowing entrepreneurs to become rich before others is an urgent task in achieving common prosperity. We can try it on a small scale, summarize the experience, gradually perfect the policy, and then promote the policy step by step.

Developed Areas Urged To Help Poor Areas
HK201305 Beijing RENMIN RIBAO in Chinese
14 Nov 87 p 5

[Article by Chen Junsheng (7115 0193 3932): "Sum Up New Experiences, Reform the Work of Helping Poor Areas—Two Questions Concerning the Economic Development of Poor Areas in Nine Southern Provinces and Regions"—passages in boldface as published]

[Text] Not long ago I carried out some investigations in nine counties (cities) in Jiangxi Province and Guangxi (Region). I also attended a symposium on the economic

development of poor areas that was jointly held by the nine southern provinces and regions (Guangdong Province, Guangxi Region, Fujian Province, Yunnan Province, Guizhou Province, Sichuan Province, Zhejiang Province, Hunan Province, and Jiangxi Province). The results of my investigations and the symposium show that all comrades think that the reform policies implemented by the CPC Central Committee toward the rural areas since the 3d Plenary Session of the 11th CPC Central Committee have brought about great changes in all the rural areas of our country, including the poor areas of our country. The special policies and measures adopted by the CPC Central Committee toward the poor areas have played an important role in helping the poor areas shake off poverty. All the comrades also reviewed the main measures adopted by the CPC Central Committee and the State Council toward the poor areas. These main measures can be summed up in the following:

1. At the meeting it held in 1982 the Financial and Economic Leading Group of the central authorities decided: In order to help the dry areas in the central regions, such as Hexi and Dingxi Prefectures in Gansu Province and Xihaigu Prefecture in the Ningxia Hui Autonomous Region, the state would, beginning in 1983, allocate 0.2 billion yuan each year to help these "three regions" carry out the building of their major development and construction projects.

2. In September 1984, the CPC Central Committee and the State Council issued Document No 19, entitled: "Notice on Helping the Poor Areas Change Face as Soon as Possible."

3. The relevant departments and commissions of the State Council, such as the Ministry of Finance, the Chinese People's Bank, the Agricultural Bank, and so on, have started to provide special funds or cheap loans totalling 2 billion yuan each year to the old liberated areas, ethnic minority areas, border areas, poor areas, and economically underdeveloped areas.

4. Between 1985 and 1987, the state allocated 2.7 billion worth of grain, cotton, and cloth to facilitate the implementation of the "work-relief program" (which is aimed at helping the poor areas carry out economic development so as to create more jobs and to use the relief goods and materials as remuneration for work). In addition, the state also provided help to the poor areas primarily in the areas of building such basic facilities as the roads and irrigation networks which are to be used by human beings and livestock. Beginning next year, the state will use low-grade industrial products in carrying out the work-relief program. The state has already begun to carry out such experiments in Sichuan Province, Jiangxi Province, and the Ningxia Hui Autonomous Region. The state will conduct the work-relief program in the whole country step by step beginning next year.

5. According to a proposal Comrade Zhao Ziyang made during his inspection of the poor areas in Sichuan and Hubei Provinces, the State Council in 1986 decided to provide 5 billion yuan in special loans at subsidized interest rates, 1 billion each year, to help solve the problem of feeding and clothing the people in the poor areas during the Seventh 5-Year Plan. The loans, provided at subsidized interest rates, will mainly be given to some 273 poor counties in 21 provinces. In the meantime, the State Council will set up a leading group for the economic development of poor areas to comprehensively take charge of the work of helping poor areas.

6. In June 1987, the national work meeting of pastoral areas decided that the 50-million-yuan special loan provided by the state each year at a subsidized interest rate would mainly be used by the poor pastoral areas during the Seventh 5-Year Plan.

7. The state organs and all walks of life in our society in 1986 began to send work teams and work groups to the various poor areas batch by batch to help the poor areas carry out their economic development. The state organs in the various provinces and autonomous regions have also begun to do so. According to the statistics of the nine southern provinces and regions, this year the state organs at the provincial, prefectural, and county levels have already sent 42,300 cadres to various poor areas.

8. In light of the spirit of the instructions of the CPC Central Committee and the State Council, the leaders of the CPC committees and people's governments of the provinces and autonomous regions concerned have placed the economic development of poor areas on their important work agendas and have strengthened their leadership over the work of helping poor areas.

9. Over the past few years, the leading comrades of our party and state have inspected, carried out investigations in, and visited various poor areas. The leading comrades of our party and state have also personally given instructions on the economic development of poor areas to help the poor areas solve their problems.

These nine measures have been supported politically by people from all walks of life in our country and have been praised as "benevolent measures." Since the majority of the poor areas are inhabited by the people of the various ethnic minorities, accelerating the economic development of poor areas actually means further implementing our party's policies toward the ethnic minorities. Therefore, to accelerate the economic development of poor areas is of great importance for strengthening nationality solidarity and social stability. At present, the economic development of poor areas has already been started. The economic development of poor areas has also been carried out rapidly and has produced gratifying results. The proportion of the people who still lack food and clothing in the entire population of our country is decreasing. The proportion of low-income peasant households in which the net per capita annual income is

less than 200 yuan out of the total number of peasant households in our country has dropped from 61 percent in 1980 to 11.3 percent at present.

Over the past few years, the nine southern provinces and regions have gained many experiences in carrying out the economic development of poor areas. The experiences they have gained show that it is necessary to carry out the reform of the work of helping poor areas.

It is necessary to carry out the reform of the method of investing in poor areas. Efforts should be made to turn the past practice of administrative departments distributing funds, goods, and materials to the poor areas into the practice of economic entities, service organizations, and competent people jointly participating in carrying out the economic development.

For over 30 years since the founding of the PRC, the state has allocated a lot of funds to help the poor areas. The funds allocated by the state to the poor areas have played an important role in solving the problems caused by the lack of food and clothing. However, as far as the overall situation is concerned, these funds have not been properly used, and a lot of funds have been wasted. These funds have failed to produce the desired results. This is because a lot of funds have been used for temporary relief purposes. The funds allocated for the development of production have been distributed to tens of thousands of peasant households. As a result, these state funds have not been used for the benefit of all, and the peasants have not been able to achieve a stable source of income. Thus, the goal of increasing the value of state funds has not been successfully achieved. Neither has an industrial and economic circulation network been established in the poor areas.

At present, some areas have begun to change their former methods of using and managing state funds. These areas have stopped the practice of indiscriminately distributing money, goods, and materials to tens of thousands of peasant households. Instead, they have begun using the state funds to help the poor areas establish various economic entities, service organizations, and enterprises that are mainly concerned with helping the poor. These economic entities, service organizations, and enterprises have begun to play an important role in developing local natural resources. They have created various types of job opportunities for the peasants of all nationalities in the poor areas in various ways and at various levels in light of the actual local conditions. As a result, the incomes of peasants in various poor areas have steadily increased.

Some areas have also achieved gratifying results in economic development by supporting some competent people who are enthusiastic about leading the broad masses of peasants to shake off poverty. For example, Longzhou County has used funds earmarked for helping the poor to set up a brick factory in Neipai Village, the poorest village in Jinlong Township. The brick factory

has thus been contracted by the peasants of Neipai village. Every household in the village has sent one person to work in the factory. As a result, the village has begun shaking off its poverty.

These facts show that those areas which have discarded their past practice of using and managing state funds have stopped indiscriminately distributing the state funds to tens of thousands of peasant households. They also show that these areas have tried to help the poor peasants by relying on the various economic entities and service organizations. As a result, they have achieved gratifying economic results. This way of helping the poor has been warmly welcomed by the broad masses of peasants.

At present, another problem also exists: Many areas do not know how to properly use the funds earmarked for the poor. As far as the overall situation is concerned, many poor areas still lack the necessary funds for their economic development. At the same time, however, a lot of funds are left unused and cannot produce good economic results.

One of the important factors that has contributed to this situation is that the administrative departments still rely on administrative measures to determine the projects to be built and to use and manage the funds earmarked for helping the poor. Many projects are still decided on by the county chief. Since the county chief has a lot of work to do and does not always have time to carefully consider every project, it is impossible for the county chief to know all the details of the projects to be built. So if the county chief makes his decisions without taking into serious consideration the details of the projects to be built, the funds earmarked for helping the poor cannot be used properly. Another example is that the funds earmarked for helping the poor are left idle and cannot produce good economic results. Sometimes, the funds earmarked for the poor are distributed to the lower levels only to be used up without producing any economic results. Although some areas send work teams to the poor areas to give guidance on the use and management of the funds earmarked for helping the poor, very often the work teams fail to carry the work through to the end. And then after the work teams leave the poor areas, these areas are again left to use and manage the funds by themselves. In the past, when the state organs sent work teams to the poor areas to launch some pilot projects, a lot of funds were used up. After the work teams left, the areas ran into heavy debt and had no remaining funds to pay them. We should remember this historical lesson.

The key questions we are faced with in carrying out the work of helping poor areas are: How to enable the funds earmarked for helping the poor to produce good economic results and to continue to circulate and increase in value, how to enable more peasants to shake off poverty and become better off, and how to continuously strengthen the economic strength of poor areas. It seems that we should no longer rely on administrative measures

to carry out the work of helping poor areas. The work of helping poor areas is a type of special economic work. Thus, we should look for proper economic measures to accomplish this work. In order to accomplish this work, we should take steps to properly separate administrative work from economic work. How should we separate administrative work from economic work? In order to separate administrative work from economic work, we should mainly take two steps: First, as we have mentioned previously, the units at the grassroots level should turn the past practice of the township and village cadres indiscriminately distributing funds, goods, and materials to all the peasant households into the practice of setting up various agricultural, industrial, and commercial economic entities as well as service organizations. This would serve to gear the work of helping poor areas to the needs of economic development. Thus, it would enable tens of thousands of peasant households to shake off poverty through the development of production and the creation of more jobs. Second, the poor areas at and above the county level should establish economic development companies. These companies will use and manage the various types of funds earmarked for poor areas, and carry out the economic development by building the various planned projects one by one. This type of economic development companies are independent economic entities. They will carry out independent operations and assume full responsibilities for their own profits and losses. The economic development companies set up in the poor areas will take charge of the various types of funds provided by the state at subsidized interest rates to help the poor areas. They will be responsible for providing the funds to and recovering the funds from the poor areas. The development companies will study and determine the projects to be developed. They will also provide loans to the economic entities, service organizations, and the competent people capable of organizing the peasants to carry out economic development. The development companies will mainly rely on the economic entities, service organizations, and competent people to organize tens of thousands of peasant households to carry out the development of production and create more jobs for the poor peasants. The development companies will also be responsible for providing information, technologies, consultative services, and the necessary goods and materials to the peasants. They will also be responsible for selling the products, and so on.

The representatives of the financial, banking, scientific and technological, industrial and communication, and other circles, together with the representatives of the poor areas, can form a board of directors which will take charge of the funds earmarked for helping the poor. The board of directors will, through examination and selection, employ entrepreneurs to manage the companies. The managers of the various economic development companies can either be the local people or people from outside the area. Henceforth, the local people's governments will mainly exercise their leadership over the work of helping poor areas by studying and formulating the relevant principles and policies, and examining and

supervising the use of the funds provided by the state to the poor areas. The local people's governments will no longer examine the projects one by one, nor will they continue to distribute the funds, goods, and materials to the poor areas.

Setting up economic development companies in the poor areas has the following advantages:

1. Since the economic development companies are the independent economic entities which have responsibilities, powers, and interests in using the funds earmarked for helping poor areas, they can operate like enterprises according to the economic law in terms of examining and making decisions on the economic development projects, making investments, carrying out their own operations and management, selling products, and so on so that they will be able to produce good economic results through their investment.
2. The economic development companies are legal entities, and their managers sign contracts with the board of directors. If the economic development companies are successful, and if the economic development companies can achieve good economic results and can enable more poor peasant households to shake off poverty, then the incomes of the managers of the economic development companies will be increased. However, if the managers of the economic development companies fail to do things according to the contract, or if the economic development companies are unsuccessful, the managers of the economic development companies will certainly be economically and legally held responsible for their mismanagement. Only by doing things in this way will the economic development companies be infused with the motive force to carry out the economic development, successfully accomplish the work of helping poor areas, and be able to turn out a large number of qualified entrepreneurs.

Setting up economic development companies and other types of economic entities can help to organically combine together all the essential factors of production in a wider scope so as to rationalize the process of distributing production resources to poor areas.

Since the economic development companies concentrate all their efforts on one task only, they can more efficiently examine and determine the projects to be built and more quickly provide the funds to the areas that desperately need them, thus greatly raising work efficiency. With the areas at and above the county level setting up economic development companies and the townships and villages setting up various types of economic entities and service organizations, the entire work of helping poor areas is to be, from the top to the bottom, placed in a network that has many economic functions in carrying out the work of helping poor areas. These economic functions formerly were the responsibility of the government. The situation that whenever an industry is to be developed, an additional government office is to be set up, will probably be changed. At present, in the poor areas we often find a fragile economic basis supporting a

huge superstructure, and the normal economic operation relying on the state's financial subsidies. However, this situation will probably be gradually overcome in the future.

The leading comrades of some poor counties think that setting up economic development companies does not require extra staff and expenditures. The managerial cadres and technological cadres needed by the economic development companies can be transferred from the various departments of the existing state organs, and the wages of the managerial cadres and technological cadres as well as the relevant administrative expenditure can also be transferred to the economic development companies from the various departments of the existing state organs. The economic development companies will not need to buy new office buildings and office equipment. The cadres who are to work in the economic development companies should themselves buy the desks and chairs they use. The cadres to be transferred to the economic development companies should be the professional mainstays. The economic development companies should not become resettlement places for the cadres.

Some counties have already realized the importance of this question and have begun to carry out some experiments in this area. Owing to the lack of experience, only a few counties in a province have so far carried out such experiments. It is quite appropriate at the beginning to carry out such experiments on a limited scope.

It is necessary to comprehensively take into consideration both the economic development of the poor areas and the economic development of the developed areas.

We should be broad-minded and far-sighted when carrying out the economic development of the poor areas. We should take into consideration the overall situation of our country's economic construction when carrying out the economic development in the poor areas because our work of helping the poor is not at all limited to the poor areas.

Our country is a big country. Unbalanced economic development between various regions is a long-standing problem. To carry out the economic development in the poor areas is actually aimed at solving the problem of unbalanced economic development between the east and west of our country. Our country's eastern regions differ greatly from our country's western regions. The 18 major poor areas of our country are basically scattered throughout the western part of our country. Some of the poor areas are on the loess plateau, some are in the mountainous areas, and some are in the stony mountainous areas. The social and economic development of mankind shows that the minority nationalities living in the mountainous areas, especially in the stony mountainous areas, are restricted by the bad natural conditions which are unsuitable for the development agricultural production.

Thus, it is hardly possible for these minority nationalities to become prosperous in a society predominated by the primary industry. Generally speaking, the ancient civilization largely emerged in big river basins where land was even and fertile and irrigation conditions were good. However, along with the development of the secondary and tertiary industries, the natural resources in the mountainous areas are just the important raw materials and energy needed for industrial development. For example, on the stony mountains of Bose Prefecture in the Guangxi Zhuang Autonomous Region, we can see both poverty and rich natural resources that can be developed. If the rich natural resources in that mountainous area are developed, the peasants living there will have an opportunity to shake off poverty and become prosperous. To combine and bring into full play the strong points of the plains and the mountainous areas, and the strong points of the eastern and western parts of our country, is not only a task in carrying out the economic development of the poor areas but also a strategic task in carrying out the further economic development of the developed areas.

The strong points of the developed areas are that these areas have advanced technologies and qualified personnel who are experienced in economic management. However, the developed areas lack the natural resources and cheap labor. The strong points of the poor areas are that these areas are rich in natural resources and cheap and surplus labor and have loans granted by the state for building their special projects. However, the poor areas lack the necessary technologies and qualified personnel. We should pay great attention to combining the strong points of the developed areas and the poor areas and to finding a proper way to gradually solve the problem of unbalanced economic development between the eastern and the western parts of our country.

Some comrades in the poor areas hope that the state will soon transfer key construction projects from the east to the west. The comrades in some provinces have also pointed out that although it is important to enable the peasants to shake off poverty and become prosperous, many provinces are also facing the same task. What does the transfer of key construction projects mean? Some comrades do not clearly understand this question. They are simply waiting for that day to come.

It is impossible to carry out the construction of our country in the east today and in the west tomorrow. And the realization of balanced economic development can only be a gradual and cumulative process. In order to solve the problem of unbalanced economic development between the eastern and western parts of our country, we should mainly adopt such economic measures as carrying out mutual cooperation between the eastern and the western parts, obtaining more natural resources, and carrying out the dual-direction transfer (which means that the qualified personnel and technologies are to be transferred to the west and the raw materials and labor

are to be transferred to the east) under the guidance of the state instead of simply making mandatory plans for and allocating products to the poor areas.

In carrying out the dual-direction transfer, the transfer of funds and the transfer of qualified personnel are the most important. There are two ways to promote these two types of transfers: One is to develop lateral economic associations on a voluntary and mutually beneficial basis. The other is that the state, provinces, or cities should guide these two types of transfer by employing monetary measures, which means that the state, provinces, or cities will provide part of the funds earmarked for helping poor areas to the enterprises in the developed areas which are capable of carrying out expanded production for special purposes or will set up enterprises in the poor areas. So far, such measures have only been implemented in a small number of areas. Since last year, Guangdong Province has raised more than 0.1 billion yuan in funds from its own developed areas in a planned way and let those funds flow into the poor areas to support their economic development. Last year, Zhejiang Province provided a 10-million-yuan loan at a subsidized interest rate to the mineral development company under the provincial geological and mining department. The mineral development company has developed 14 mining sites in five poor counties and urged the local people to mine for minerals. The company is responsible for the technical training and the purchase of minerals. As a result, the company has not only expanded its business but has also led the broad masses of poor peasants to shake off poverty.

The state can selectively provide special loans to the various provinces and autonomous regions, which will then give the state loans to the enterprises in the developed areas that are capable of carrying out expanded production and urge them to make investments and set up enterprises in the poor areas. The state can also provide loans to the enterprises in the developed provinces and cities and urge them to make investments and set up enterprises in the underdeveloped provinces and cities. This method is a positive way of promoting economic association and development between the eastern and the western parts of our country. The funds the state provides to the enterprises in the developed areas will only serve as "an ingredient added to enhance the efficacy of a dose of medicine." Such an ingredient can transfer the funds, qualified personnel, advanced technologies, advanced management and production experiences, and advanced sales channels from the developed areas to the poor areas so as to greatly promote the economic development of the poor areas. The poor areas will then be able to increase their revenue, create more jobs for the poor peasants, train more qualified technological personnel, strengthen the industrial basis, and transform the industrial structure. Such a method can help to produce more economic results than the method of directly investing in the poor areas. It has been learned that such a method has also been employed in foreign countries. For example, the

method Yugoslavia uses to help backward areas is that the various republics of Yugoslavia each take out 1.86 % of their respective "social products" (namely, income plus depreciation) to give to the federal government, which will then proportionately distribute their "social products" to the three poor republics and one poor autonomous province.

The leading comrades of Bose Prefecture have said that they have made plans to develop the rich natural resources of their prefecture. They plan to build 10 big production bases in order to develop forestry, fruit, tea, medicine, animal husbandry, and other types of productions. The specific development projects have already been decided upon. However, the development of these projects will need a lot of funds, and they still lack the necessary technologies and qualified managerial personnel. What will the situation be if funds are given to the enterprises in the developed areas to carry out development and set up enterprises in the poor areas? They all agree that if the funds are given to the enterprises in the developed areas, only a small investment will be needed and the actual economic results will certainly be better than the economic results they would achieve if the funds were given to them. This is because allowing the developed areas to set up enterprises in the poor areas can reduce the risk caused by the lack of information in the mountainous areas in the course of the development of commodity production and can also attract more qualified personnel to work in the poor areas. However, it is necessary to implement some special policies toward the developed areas. The special policies to be implemented will mainly be aimed at attracting more enterprises in the developed areas of our country to go to Bose Prefecture to carry out the development of the rich local natural resources. This can be called opening up to other parts of the hinterland or opening up the western regions of the country to the eastern regions of the country. To open up the interior border areas to other parts of the country will greatly promote the economic development of the western regions of our country. Thus, on the one hand, the enterprises in the developed areas will be guided by the state funds in their operations, and on the other hand, the enterprises in the developed countries will be attracted by the preferential policies. Such a situation will help to create good conditions for eliminating the situation of "rich east and poor west" in terms of the economic development of our country and "poor east and rich west" in terms of natural resources, and it will greatly accelerate the economic development of our country.

The transport and other basic facilities of the poor areas are relatively backward and thus cause difficulties for our efforts to set up enterprises in the poor areas. However, this problem can still be solved. The way to solve this problem is to implement the work-relief program. The state began to implement the work-relief program in 1985. The implementation of the work-relief program has been welcomed by the areas concerned. Since the poor areas have a lot of surplus labor, they are

willing to implement the work-relief program. Since the consumer structure of the poor areas is simple and the per capita consumption of the poor areas is small, we only need a small number of funds to carry out the construction of the basic facilities (which mainly include road repairing projects and some irrigation projects). Moreover, constructing basic facilities in the poor areas can help to create good conditions for the further development of the poor areas. Thus, this is a good opportunity for us.

Because the natural conditions in some mountainous areas are perilous, the peasants there actually live in an environment almost isolated from other areas. Their grain is obtained from the outside, their water is rainwater, and their firewood is obtained by recklessly felling trees. Moreover, there, many local diseases prevail in the mountainous areas. Since the mountainous areas are unsuitable for the subsistence and development of human beings, even if we provided a lot of funds to those areas, it would still be difficult for us to change the face of those areas. What we should do is transfer part of the rural population of those areas to other areas so as to reduce the pressure on the land by population growth and revive the natural resources that have been destroyed. Poverty gives rise to a desire for transfer. The population outflow from the poor mountainous areas is absolutely a good thing. For a long time, there was no population outflow. This was an important factor that contributed to the poor quality of the local population and slow intellectual development in those poor areas. Now, in order to transfer the population of those poor areas to other areas in a planned way, we should not rely on the government to directly carry out the population transfer. We should adopt economic measures to accomplish this task. One economic measure we can adopt is to export labor services. We should regard exporting the labor services of the poor areas as the key method of promoting their population outflow. According to statistics provided by the five southern provinces and regions, in 1987 some 1.3 million people have been transferred from poor to other areas. We should help the extremely poor areas train a large number of competent people qualified to work in the building industry. This would enable more people from the rural population to leave the land. Once these people can earn more money, more people will follow and join them. Moreover, no restrictions should be placed on the population outflow of the poor areas. At this time, no restrictions have been imposed on the outflow of the male population of the poor areas. However, the outflow of the female population of the poor areas is often obstructed by the fact that people are afraid of being cheated by traders in human beings. The reason traders in human beings can successfully take people out of some rural areas is not only because they employ deceptive methods but also because the living conditions in those poor rural areas are too hard for them to bear. Therefore, we should actively support the export of female labor services in an organized and honest way so as to prevent traders in human beings from taking advantage of loopholes in the export

of female labor. The second measure we can adopt is to transfer the rural population from one place to another. We would carry out economic development by setting up agricultural, industrial, commercial, and transport enterprises in selected poor areas where conditions are better than those of other poor areas. This would attract part of the population of the mountainous areas to come and work in the newly developed areas. We can also select the sites of development projects in and outside a particular township or a county. The peasants transferred from the poor areas can contract the medium-yield and low-yield farmland from the local peasants in the newly developed areas. If the production quota is overfulfilled, the extra output will be converted into money. The money will then be shared out as dividends, and the grain will belong to the contractors. In this way, we will be able to solve the problem of feeding the peasants transferred from other areas. To transfer the rural population from one place to another has been a very successful method of carrying out economic development in the history of the world. Many areas in the world have become prosperous by carrying out their economic development this way. Successful cases of this type can also be found in the history of our country. Since this type of work is more complicated than the export of labor services, it can only be carried out on a trial basis and within a limited scope at the beginning.

Commentator Stresses Economic Development
HK191545 Beijing JINGJI RIBAO in Chinese
10 Nov 87 p 1

[Commentator's article: "It Is Necessary To Take the Second Step Properly"]

[Text] Comrade Zhao Ziyang's report to the 13th party congress points out that the second goal in China's economic development strategy is to double the GNP and enable the people to live a comparatively better lives by the end of this century. This is a grand target. Properly taking the second step has important bearings on consolidating and developing the economic achievements the country has made, on speeding up the country's socialist modernization, and on enabling the per capita GNP to reach the level of medium-developed nations by the middle of the 21st century.

As the second step forms a connecting link between the preceding and the following, it is a step of great importance. We have over the last few years basically fulfilled the targets in the first step: the GNP has increased 100 % and the problem of providing enough food and clothing for the people is being solved. It is completely possible to successfully take the second step on the basis of the first step. When the strategic target of "quadrupling" the GNP was put forward by the 12th National CPC Congress, some people in the country and abroad doubted it could be reached. Facts have proved that during the 7 years from 1980 to 1986, the target of doubling the GNP

for the first 10 years was basically fulfilled. As to the target of redoubling the GNP for the second 10 years, there are still 13 to 14 years to fulfill it. So the time is quite adequate.

The strategic target in the second step has not been formulated out of fantastic thinking. However, it will take much arduous effort to fulfill it. Difficulties are bound to arise in the course of fulfilling the strategic target in the second step. In particular, since China has a large population, it is short of resources and funds, and there are still unstable factors in its economic life, greater efforts should be made to solve our problems. We should not be blindly optimistic and seek an excessively high development rate, nor should we think that our problems are too far gone.

To take the second step properly, it is necessary to speed up and deepen reforms. The great achievements in the country's economic construction since the 3d Plenary Session of the 11th CPC Central Committee have been the direct result of implementing the policy of reforms and opening up to the world. Taking the second step cannot be divorced from reforms and opening up to the world. At this time, efforts should be concentrated on changing the operational mechanism of enterprises, on conscientiously carrying out and perfecting the enterprise contracted responsibility system, and on reforming the systems of planning, investment, material supply, finance, banking, and foreign trade. This will warm up the new economic structural reform and provide a favorable condition for the development of the productive forces.

To take the second step properly, it is necessary to pay close attention to the development of science, technology, and education. Modern science, modern technology, and modern management are the principal factors for China's economy to develop to a new stage. When technology and management are backward, economic development based on the huge consumption of resources will, in the end, come to nothing. Without advanced science, advanced technology, and advanced management, it will be impossible to produce adequate amounts of grain and other agricultural products in a limited area of farmland and to maintain the present standard of living while the population keeps increasing, and still less will it be possible to advance toward a comparatively better life. Therefore, there is the need to put the development of science, technology, and education in a prominent strategic position so that economic construction will go into an orbit guided by advanced science and technology.

To take the second step properly, it is necessary to resolutely carry out the strategic policy of improving economic results, product quality, and coordinated development. Low product quality and bad economic results are problems that have existed for a long time in China's economic construction. We will continue to face

a number of contradictions in the future, but the fundamental way to resolve the main contradictions is to improve economic results. We should understand that redoubling the GNP by the year 2000 means an annual increase of 8 percent during the coming 13 to 14 years. This rate of increase is appropriate. Therefore, we should focus our attention on improving economic results and product quality. The increase in investments has been checked recently, but the scale of investment still remains too large; and economic results have turned for the better, but there are new unstable factors causing price increases. These unstable factors should be seriously dealt with and eliminated. This task allows no delay.

"Determination stems from resoluteness and success requires a prolonged effort." Further stabilizing the economy and further deepening reforms are two important tasks we should pay close attention to in the course of taking the second step. With firm determination, we will certainly fulfill the second goal listed in China's economic development strategy.

Shenzhen, Shanghai Special Zones Addressed

HK200612 Beijing CHINA DAILY in English
15 Nov 87 p 1

[By staff reporter Dai Beihua: "Special Economic Zones Trying To Become Even More Special"]

[Text] China's special economic zones, pioneers in the State's economic reforms, are making new efforts to improve production and boost business.

A project in Shenzhen Economic Zone to build a big oil refinery with investment by a company from the United Arab Emirates has been approved by the government. Construction is expected to start next year.

Jiang Gui, chairman of Shenzhen Municipal Government Planning Office, told *Business Weekly* that the project, the first of its kind, has a total investment of \$340-360 million. It will be finished 20 months after construction starts, and is expected to have a refining capacity of 3 million tons a year.

Thereafter, the economic zone can stop importing oil from nearby provinces or other countries. It currently imports about 300,000 tons of oil a year, and about 130,000 tons of gas.

The refinery also will help the local government get some hard currency. Tax revenues from the refinery will be \$200,000 a year, Jiang said.

This project is the biggest one in Shenzhen using foreign investment. The success of the project will attract other big foreign companies to invest in large projects in the zone, Jiang said.

This year, business concentration in Shenzhen has shifted to the processing industry, Jiang said. By now, about \$700,000 worth of products, mostly electronics and toys from Japan and Hong Kong, have been processed in Shenzhen.

The zone's Baoan County, for instance, has accepted all the products that can be done in the area and sold all its empty workshops to do the production. The zone, a whole, has sold about 400,000 square metres of workshop space for such business this year.

From 1979 to 1986, Shenzhen Special Economic Zone signed contracts with 21 countries and areas in the world with a total contract investment of \$3.974 billion. Of this, \$3.109 billion was from Hong Kong, \$247 million from Japan, \$138.6 million from the United States, and \$479 million from other countries and areas.

By the end of 1986, Shenzhen had 1,106 enterprises with foreign investment, of which 77 were run entirely by foreigners, 650 were equity joint ventures, and 379 contractual joint ventures between Chinese [as published] and to create a good environment for investment, Shenzhen in the past seven years has built up seven ports with a total handling capacity of 5 million tons. Ocean-going freighters from Shenzhen reach 13 ports in other countries and areas.

A double-track railway from Guangdong to Shenzhen has been built to carry 12 million passengers annually. Inside Shenzhen, there are 200 highways and a helicopter airport.

Elsewhere, in Tianjin Economic Development Zone, the investment environment also has been improved in the past few years. By now, 215 contracts have been signed, for a total of \$521.97 million, of which foreign capital accounts for \$239.36 million.

Hu Chongqing, head of Foreign Economic Section of Tianjin Municipal Planning Commission, said the municipal government has taken measures to attract more foreign investment.

One, the city is planning to allow foreign investors to build their own residences in the city. Certain regulations about residence building will be worked out and some investors from Australia are talking with Chinese officials about renting land for residences near the Shuishang Gongyuan (park over the water), north of the city.

Also, the government is suggesting that staff members who work for joint ventures quit their former jobs in Chinese enterprises to stimulate them to do a better job in the joint ventures. At present, keeping their former posts in Chinese enterprises allows them to return to their "iron rice bowl" if they fail to do a good job in a joint venture.

But the Chinese will bring problems, such as housing and pensions. Hu said the government is making provisions to prevent the problems.

This year Tianjin set up a foreign investment service centre on Nanjing Road, a two-storey building in the centre of the city providing all kinds of services for foreign [as published] the centre helps foreign investors contact government offices and officials who have power to move investment plans forward, and assists them in obtaining the necessary approvals for their projects. It tries to solve their most difficult headaches in business, by helping them put their project proposals into the standard format and ensuring that they are submitted directly to the project department of the centre. The review and approval process of the project proposals can be shortened to 21 days after submission of all the centre brings all appropriate government units under one umbrella, so the time required for review and approval of a realistic feasibility study also is reduced, to 30 days.

The service centre can arrange feasibility studies and help draw up contracts which comply with the laws and regulations of China. It can provide advice to avoid the need for significant revisions.

The centre also provides single-party accountability in construction. This service may eliminate investors' concerns over uncontrollable external factors that lead to delays.

Shanghai has developed two economic and technological zones in the past few years. One is the Hongqiao New Area and another is the Minhang Economic and Technological Development Minhang, a small economic zone which covers only 2.13 square kilometres, has already attracted some 20 foreign investors to open business in the past few years, including Universal International Ltd of Hong Kong and W.R. Grace and Co of the United States.

At the beginning of this year, Shanghai started to make more open policies for foreign investors. It made eight regulations to give them preferential treatment in taxation, bank loans and land use, said Wang Zixian, deputy chief of the Foreign Investment Department of the Shanghai Municipal Foreign Economic Relations and Trade Commission.

Early this year, Shanghai set up an office for investment information for foreigners, a centre to regulate foreign currencies among enterprises involved with foreign investment, and a company to provide necessary raw materials for projects with foreign investment.

Beijing Foreign Tax Advisory Company Formed
OW 200538 Beijing XINHUA in English 0204 GMT
20 Nov 87

[Text] Beijing, November 19 (XINHUA)—The Beijing Foreign Taxation Consultative Company, the first of its kind in China, is offering its services in the Chinese capital.

The company provides information on tax regulations for enterprise invested in or operated jointly by Chinese and foreign firms, and enterprises exclusively invested in by foreign firms, in addition to providing advice on personal income tax affairs.

The company also acts as an agent in handling tax registration, declaration and payment procedures for overseas firms.

Approved by the Beijing Municipal Administration of Industry and Commerce, the Beijing-based company, a nongovernmental body, offers advice on taxation policies for overseas investors throughout China.

"By being located in Beijing," General Manager Liu Jie of the company said, "we can get the latest information on tax matters."

China has offered more and more favorable tax treatment for foreign investors since the country opened itself to the outside world, but taxation regulations vary from place to place. "The company is designed to clear up the complex regulations for foreign investors," Liu said.

The consultative body is staffed by more than 20 experienced professionals, including those retired from government taxation departments and university professors of finance and accounting.

Rural Employment Offered to Graduates
HK200338 Beijing CHINA DAILY in English
20 Nov 87 p 3

[Text] Many university and college graduates will be given jobs in small factories and rural enterprises next year, according to an information conference which closed in Beijing yesterday.

Officials from the capital's 69 universities and colleges talked to about 100 employers representing State agencies and enterprises at the conference. They found that State agencies need only a small number of graduates, while small and medium-sized enterprises are in urgent need of a large number.

Yin Qianfang, a deputy director of an electric motor factory, said his factory needs more than 30 graduates in a dozen different subjects. Yin said his factory is a collectively-owned enterprise employing 600 workers. The factory produces 28 different products and some are exported.

Many big, medium and small enterprises, including collectively-owned and township enterprises, have registered to employ graduates.

A personnel manager from the Ministry of Geology and Minerals said the ministry wants only a few graduates of liberal arts. Another official from the Ministry of Justice said the agency wants only a few post-graduates.

The deputy director of the Beijing Personnel Bureau said he hopes future graduates and their parents can realize the trend and prepare for it.

For the last two years, the Beijing Personnel Bureau and the Beijing Higher Education Bureau have tried to let schools meet directly with employers. It proved to be a good method of assigning students, Beijing Daily reported.

This year, out of 21,217 graduates in Beijing who were assigned jobs, 655 were sent back to school by their employers.

An investigation has shown that the city needs 20,000 graduates this year. The problem is that places where graduates would like to work don't need people, and unpopular places need people badly.

According to the survey, employers who refused to accept those graduates who were assigned to them this year were in big cities in other provinces and big institutes in Beijing, such as government agencies and big enterprises.

Medium and small cities and rural enterprises need graduates badly, but for many years have had difficulty in getting them.

Shanghai is also reforming its job assignment policies. Next year, the city is going to combine advertising, recommendations and testing to find jobs for graduates.

East Region

Fujian Leaders Attend Congress Study Forum

OW200638 Fuzhou Fujian Provincial Service
in Mandarin 1100 GMT 14 Nov 87

[Excerpts] Responsible persons of various democratic parties and mass organizations as well noted personages in Fujian Province attended a forum this morning to study and discuss the guidelines set forth in the documents of the 13th party congress.

Chen Guangyi, Wang Zhaoguo, and Jia Jiumin, leaders of the province, attended the forum, which Zhang Kehui chaired. [passage omitted]

Ni Songmao, vice chairman of the provincial CPPCC committee, said: In studying the documents of the 13th party congress, we must integrate theory with practice. In recent years, our province has made tremendous progress in various fields. However, ours still cannot be called an advanced province, and people's sense of reform and opening to the outside world is not strong enough. By studying the documents of the 13th party congress, cadres should strengthen their sense of reform and opening to the outside world. [passage omitted]

Yu Baosheng, vice chairman of the Fujian Provincial Chapter of the Chinese Peasants and Workers' Democratic Party, said: The development of science and technology, the invigoration of the economy, and social progress all depend on the improved quality of the work force and the training of large numbers of competent personnel. Education is of fundamental importance to the fulfillment of our great long-range mission. We must therefore stress the strategic role of education and start this work with the education of children. [passage omitted]

In their speeches at the forum, both Chen Guangyi and Wang Zhaoguo express this hope: Acting according to the principle of treating each other with all sincerity and sharing weal and woe, all the democratic parties in Fujian will make more and more constructive suggestions on the province's work and bring their important role into play in various fields in order to contribute to invigorating the province's economy.

New Technology, Products Benefit Jiangsu

OW191438 Beijing XINHUA in English 1320 GMT
18 Nov 87

[Text] Nanjing, November 18 (XINHUA)—Jiangsu Province has organized research institutes and colleges into enterprise groups in a bid to put an end to a decline in industrial production.

Jiangsu is one of the nation's economically most developed provinces. For five consecutive years it topped other provinces in total output value of industry and agriculture, but since the beginning of this year, its industry hasn't performed very well.

According to a provincial official, in an attempt to invigorate industrial production, enterprise groups have been organized, in which one third of their members are research and design departments, colleges and universities. With their participation, these groups now find it possible to apply the latest technology to production and develop new products.

The newly-established Zhongshan Group is one of them. It is composed of 42 electronics enterprises, three research institutes, and two financial and material supply departments. Among its 70,000 staff members, 20,000 are engineers and technicians. It turns out 12 categories of products in 1,400 varieties and is now engaged in turning out hi-tech and sophisticated instruments.

Central-South Region

Guangzhou Radio Calls for Economic Stability

HK201004 Guangzhou Guangdong Provincial Service
in Mandarin 1030 GMT 19 Nov 87

[Station commentator's article: "Adopt Measures To Stabilize Market and Prices"]

[Text] During a period this year the prices of various goods, and especially of non-staple foods and daily necessities, increased sharply. However, since September the price increase trend has been effectively controlled in the province. Will prices basically stabilize? The answer is yes.

In recent years the state has conducted initial reform of the previous price system, thus enlivening goods circulation and promoting production. This is necessary. The phenomenon of increasing prices arbitrarily is not necessarily linked to this. The basic reason for the price increase lies in the expansion of social investment and the increase in society's spending demands. The general social demand exceeds the general social supply. By taking advantage of the failure to coordinate various reform measures, some people rush for and illegally buy up goods in short supply and then resell them, thus driving up prices and obtaining huge profits.

Although some price control and supervisory work has been done the checkup does not cover many fields and illegal elements can still take advantage of some loopholes. This is a catalyst for the sharp price increase.

In view of this, governments at all levels in the province have adopted and are adopting a series of effective measures to stabilize prices. The measures include: Strictly controlling the amount of capital construction

investment; controlling currency circulation volume; controlling the purchasing power of social groups; widely conducting the double increase and double economy drive; increasing production; providing more goods to the market; and delaying introduction of new price readjustment measures. Other measures include: Strictly implementing the method whereby the state sets prices, and purchases by contract important goods concerning the national economy and the people's livelihood; urging state-run commercial units and supply and marketing cooperatives to play the main channel role in goods circulation; setting a price ceiling if necessary, for goods whose supply is regulated by the market and whose prices are open; strengthening price and market management; and supervising and checking various illegal acts of arbitrary price increases.

We are convinced that, provided all departments and units earnestly implement these measures, it is possible to curb price increases and solve the problem.

Hainan Trains New Military Recruits

HK201314 Haikou Hainan Island Service in Mandarin
1100 GMT 18 Nov 87

[Text] Over 500 men and women who are this year's first group of new recruits for the (Nanhang) PLA unit have entered military camp during the past few days. Commanders and fighters from this PLA unit lined the street to welcome the new recruits, who came from Hunan, Hubei, Zhejiang, and Guangdong Provinces. They have shown a fine ideological and physical quality. Starting early December the new recruits will receive a 100-day rigorous military training, which will turn these ordinary people into qualified soldiers.

Hubei Leaders on Stabilizing Economy, Reform

HK200609 Wuhan Hubei Provincial Service
in Mandarin 1000 GMT 17 Nov 87

[Excerpts] From 14 to 16 November, the provincial party committee held a meeting of secretaries of prefectural, city, and autonomous prefectural party committees in Wuchang. The main topics of the meeting were: Studying and implementing the spirit of the work conference of the CPC Central Committee, and studying and formulating measures for implementing that spirit.

Guan Guangfu, Guo Zhenqian, Zhao Fulin, Qian Yunlu, and Wang Hanzhang presided over the meeting. Guan Guangfu and Guo Zhenqian addressed the meeting.

At the meeting, the prefectural, city, and autonomous prefectural party committee secretaries, prefectural administration office commissioners, city mayors, and autonomous prefectural chiefs studied the spirit of the work conference of the CPC Central Committee in connection with reality. While affirming the excellent situation of continuous and steady economic development in the province, they took note of some problems in the province's economic work. They fully understood

and adopted an active attitude toward the principle set by the CPC Central Committee, that the economy must be further stabilized and reform must be further deepened in the next year, and also the measures formulated by the CPC Central Committee. They unanimously held that only by implementing the principle set by the CPC Central Committee and by switching economic work into the orbit of improving economic results, deepening reform, relying on science and technology, and tapping potential, is it possible to truly stabilize the economy and further promote the reform.

At yesterday afternoon's meeting, provincial party committee secretary Guan Guangfu delivered a summation speech.

Guan Guangfu's speech was divided into three parts. These were: 1. The problem of stabilizing the economy. 2. The problem of further deepening the reform. 3. The problem of further studying and implementing the documents of the 13th CPC Congress and making good preparations for an enlarged meeting of the plenary session of the provincial party committee to be held in December.

Guan Guangfu pointed out: The principle set by the CPC Central Committee that the economy must be stabilized and the reform must be deepened is an active principle, which was put forth under the situation of continuous and steady economic development in the country. This principle will help accelerate and deepen the reform, arouse the enthusiasm of cadres and the masses for participating in the reform, and ensure continuous and steady development of the national economy. We must actively implement the principle of stabilizing the economy, conscientiously make readjustment according to the principle of the CPC Central Committee, and maintain a steady economic growth on the basis of macroeconomic control and readjustment. This principle has been established as an important guiding thinking. In face of this important policy decision of the CPC Central Committee, our partial interests must be subordinated to the overall interests and the part must be subordinated to the whole. We must have an eye on long-term construction, endure pressure, and share difficulties. We must take a new road of developing the economy focusing on improving economic results and relying on scientific and technological progress. Through readjustment and conducting the double increase-double economy drive, we must truly switch our economy into the orbit of expanding intensive reproduction. [passage omitted]

On concrete measures to stabilize the economy, Guan Guangfu stressed the following four points.

1. It is necessary to control investment size. All areas must first seriously check all projects under construction and examine them one by one. We must not only try

every means to ensure key construction projects, but must also accelerate the pace of construction, so as to complete them and have economic returns as soon as possible. [passage omitted]

2. We must deeply conduct the double increase-double economy drive, and carry it on profoundly and continuously. We must pay attention to cultivating and strengthening the vigor of enterprises and avoid transferring unreasonable burdens to them.

3. We must prohibit extravagance and waste, and curb the two malpractices. These are: Units using public money to send gifts to others and giving dinner parties to curry favor, and individuals flaunting wealth and going in for ostentation in wedding celebrations and funeral ceremonies. Party members and cadres must set an example in transforming social traditions.

4. It is necessary to properly guide the masses in spending. Propaganda and education should be conducted and relevant policies should be formulated to put people's spending on a correct path and a rational level.

On further deepening reform, Guan Guangfu pointed out: The main theme of the 13th CPC Congress is reform and opening up. One of the main contents of our work next year is to deepen the reform. Reform involves many things and we may encounter many new problems and situations in reform. An important task now is to earnestly study the problem of how to increase the self-development and self-control abilities of all prefectures, cities, and autonomous prefectures. These self-development and self-control abilities are an entity complementing each other and the two must be increased simultaneously. Without self-development, prefectures, cities, and autonomous prefectures cannot invigorate their economy. Without self-control, they cannot properly conduct macroeconomic management. In the end, there will be no hope for the development of commodity economy. [passage omitted]

On deepening enterprise reform, Guan Guangfu pointed out the necessity to solve the following problems:

1. The problem of strictly administering factories. We must solve the problem of backward business management and do our best to overcome the force of habit, bureaucratism, and malpractices which hinder us from administering factories properly.

2. We must actively introduce the mechanism of competition so that enterprises can build a mechanism [words indistinct] and truly take the road of market competition and assuming sole responsibility for their profits and losses.

3. We must further improve and implement the contracted management responsibility system and properly conduct coordinated reform inside enterprises. This is mainly the reform of the distribution system by carrying

out the principle of distribution according to work under which enterprises institute the contracted management system level by level and practice the piece rate wage system and the floating wage system.

4. We must properly handle various relationships inside enterprises, institute the manager responsibility system, and give prominence to the manager's role in business administration. [passage omitted]

5. We must stabilize policies and improve our system. [passage omitted]

On further studying and implementing the spirit of the 13th CPC Congress, Guan Guangfu pointed out: We must treat studying and publicizing the spirit of the 13th CPC Congress as an important task now and in the near future. We must study the report to the 13th CPC Congress exactly as it is, and earnestly understand the essence of the report, but must not be content with reading the document superficially and relating our experience just like declaring a stand. Nor should we put aside the original document to spend too much time on various guidance materials. Instead, we must properly conduct education in the party's basic line for the initial stage of socialism and use this basic line to unify the ideas of all party members, cadres, and masses. [passage omitted]

To further implement the spirit of the 13th CPC Congress, the provincial party committee has decided to hold an enlarged meeting of the plenary session of the provincial party committee in mid-December or late December. [passage omitted]

At the meeting, Guo Zhenqian, governor and provincial party committee deputy secretary, also aired seven opinions on implementing the spirit of the work conference of the CPC Central Committee and on carrying out measures for stabilizing the economy. [passage omitted]

Hubei Steel Complex Forced to Issue Bonds

*OW200221 Beijing XINHUA in English 1251 GMT
18 Nov 87*

[Text] Wuhan, November 18 (XINHUA)—The Wuhan Iron and Steel Complex, one of China's largest metallurgical enterprises, used to be rolling in profits, but has since fallen in debt and had to start issuing bonds.

"This is the first time we've had to issue bonds to raise money to continue production," said Xu Yuanjiu, the complex's deputy chief accountant.

"In the past, China's enterprises considered it better not to run the red, but now they're changing their minds," Wang explained, adding to date, the country's metallurgical enterprises have issued bonds worth 900 million yuan (243 million U.S. dollars).

"Running into debt is not necessarily a bad thing," Wang said, "because when it happens companies have to work harder, more wisely and more efficiently."

Statistics show, the Wuhan Iron and Steel Complex turned in 1.2 billion yuan (324 million U.S. dollars) to the state in profits and taxes in 1985, to make the firm the country's fourth best financial contributor to the nation's industry.

The Wuhan Economic Commission and the Wuhan branch of the People's Bank of China which supervises enterprise financial activity approved the complex's issuing of bonds to collect capital to upgrade the complex during the seventh 5-Year Plan period (1986-1990), said Huang Mobin, the complex's general manager.

"Bonds issued by the complex are being shared by a Wuhan company and the Changchun No. 1 Automobile Plant," Huang said, "and beginning next January we will supply steel products to bond-holders, and in 1992 will start paying back 20 percent of the bonds face value and 7.48 percent in interest annually."

North Region

Beijing Leaders Attend Film Reception

SK200755 Beijing BEIJING RIBAO in Chinese
12 Nov 87 p 1

[Text] On the evening of 11 November at the Great Hall of the People, the municipal Public Security Bureau held a film reception. The purpose of the reception was to express greetings and appreciation to public security cadres and policemen, armed policemen, and public security activists who engaged themselves in public security work during the National Day and the 13th party congress, and to family members of some public security cadres and policemen. Calling on the public security personnel at the film reception were Li Ximing, secretary of the municipal party committee; Chen Xitong, mayor of the municipality; Wang Fang, minister of public security; and Li Lianxiu, commander of the headquarters of the Chinese People's Armed Police Force. Minister Wang Fang and Vice Mayor Feng Mingwei made speeches in succession. They expressed their heartfelt thanks and cordial regards to the comrades who have made contributions to the public security work.

Tianjin Zhi Gong Party Changes Personnel

SK200422 Tianjin TIANJIN RIBAO in Chinese
7 Nov 87 p 1

[Text] The working committee of the Tianjin Municipal Zhi Gong Party held an enlarged meeting on 6 November to carry out partial readjustment in its leading body.

Xu Naibo, former chairman of the party's working committee, was named honorary chairman of the working committee; Chen Rongti was named new chairman of the committee; and Chen Zishi was named secretary general of the municipal Zhi Gong Party.

Dong Yinchu, permanent vice chairman of the Zhi Gong Party Central Committee, made a special trip from Beijing to Tianjin to attend the enlarged meeting. Among those who attended the meeting to extend congratulations were He Guomo, member of the municipal party standing committee, and responsible persons from the United Front Work Department under the municipal party committee.

Northwest Region

United Front's Yan Mingfu Visits Xinjiang

HK201030 Urumqi Xinjiang Regional Service
in Mandarin 1230 GMT 19 Nov 87

[Text] Yan Mingfu, Secretariat member and director of the United Front Work Department under the CPC Central Committee, is in Xinjiang to attend the second autonomous regional meeting to commend progressives in promoting nationality solidarity. This morning, he visited the (Wujiaqu) reclamation area belonging to the Sixth Agricultural Division under the production and construction corps. He was accompanied on this visit by representatives from Nei Mongol, Guuagxi Zhuang and Ningxia Hui autonomous regions who had been invited to attend the regional meeting. At the reclamation area he and Ba Dai, autonomous regional party committee Standing Committee member, and (Guo Gang) and (Liu Shuangquan), political commissar and commander of the production and construction corps, listened to a report made by (Zhang Kuikui), Sixth Agricultural Division political commissar. Afterwards, being full of zest, they inspected the (Wujiaqu) Leather Factory, the Food Industry Research Institute under the Sixth Agricultural Division, and the Xinjiang Water Pump Factory. Comrade Yan Mingfu spoke highly of the great contributions to developing and building the frontier region made by army reclamation fighters of all nationalities under the production and construction corps. Comrade Yan Mingfu said: Comrade Wang Zhen and other older generation comrades had led the vast numbers of army reclamation fighters to make tremendous efforts in pioneering work. On this wasteland which was the haunt of wild animals, they had established many modernized factories and farms, thus carrying forward the spirit of Nanniwan. These achievements also resulted from the efforts made by people of all nationalities in self-reliance, working hard, and uniting to fight.

Taiwan Legislators Favor 'Three Exchanges'

HK191500 Hong Kong ZHONGGUO TONGXUN SHE
in Chinese 0907 GMT 16 Nov 87

[Report: "Majority of 'Members of the Legislative Yuan' of Taiwan Agree on 'Three Exchanges' Between Two Coasts"]

[Text] Hong Kong, 16 Nov (ZHONGGUO TONGXUN SHE)—According to reports from Taiwan, the Taiwan magazine *Yuan Chian* issued questionnaires to 72 newly elected members of the "Legislative Yuan" in early October to learn their opinions on the authorities' policy toward the mainland. The survey results showed that most newly elected members of the "Legislative Yuan" agree with the so-called "three exchanges" with the mainland.

The magazine said that 58 percent of the newly elected members of the "Legislative Yuan" agreed with establishing postal relations with the mainland; 47 percent agreed with establishing transport relations; and 58 percent agreed with establishing trade relations.

According to the magazine, 92 percent of the "Legislative Yuan" members surveyed held that the Taiwan authorities "need a more open policy toward the mainland." "Regardless of the party they belonged to, these legislators obviously share a common opinion: 'Taiwan's destiny is closely linked with the mainland.'"

As for unofficial contacts between the two sides of the strait, 100 percent of the "Legislative Yuan" members agreed with the policy of allowing people to visit their relatives on the mainland; 78 percent agreed with a policy of allowing people to take sightseeing tours to the mainland; 92 percent agreed with sports exchanges; 86 percent agreed with cultural and academic exchanges; 89 percent agreed with a policy of allowing Taiwan journalists to report on the mainland; and 47 percent agreed that people should be allowed to make investments in the mainland.

Effectiveness of Taiwan Delegates Questioned

HK180115 Beijing ZHONGGUO XINWEN SHE
in Chinese 0800 GMT 9 Nov 87

[Report: "Functionability of Taiwan's Public Opinion Delegates To Discuss Public Affairs Shrinks Seriously"]

[Text] Beijing, 9 Nov (ZHONGGUO XINWEN SHE)—According to Taiwan *Tzu Li Wan Pao*, recently in Taiwan a departmental statistics report on "public opinion delegates" was completed. At present, among the 1,335 "central public opinion delegates," 89 of them stay overseas permanently, more than 100 of them have been

sick for a long time, and other "public opinion delegates" seldom attend meetings. Thus, regular attendance does not even represent half of the delegates, and this seriously lessens the group's ability to discussing public affairs.

The statistics show that in the "National Assembly," 84 out of the 950 plus delegates are "overseas inhabitant delegates." They stay abroad permanently and return to Taiwan to receive their pay every 4 months. Among the 800 plus senior delegates, more than 100 of them are in poor health. They have to stay in bed on a long-term basis; therefore, they are unable to attend meetings regularly. They can only come to the meeting hall in wheelchairs or stretchers at "presidential" and "vice presidential" elections every 6 years to cast their votes.

In the "Legislative Yuan," at present, there are a total of 315 "legislators." But in addition to the 5 members who stay overseas permanently, there are 40 to 50 members who have to stay at home or in the hospital due to prolonged sickness and are unable to go to the "Legislative Yuan" to carry out their duty.

In the "Control Yuan," apart from the 9 "Control Yuan members" elected by compatriots who cannot return to Taiwan to attend meetings on a regular basis, about 10 of the senior "Control Yuan members" are in poor health. Some of them have been lying in sickbeds like vegetables and are unable to attend meetings.

PRC-Taiwan Indirect Trade Increases Greatly

OW181323 Beijing XINHUA in English
1247 GMT 18 Nov 87

[Text] Hong Kong, November 18 (XINHUA)—The indirect trade between the Chinese mainland and Taiwan via Hong Kong showed a substantial growth in the past months thanks to the relaxation of trade policies and the growing needs of both sides, local press reported today.

Taiwan's exports to the mainland jumped 52 percent to 4,945 million Hong Kong dollars (633.8 million U.S. dollars) in the first seven months of this year while Hong Kong's total re-exports to the mainland rose 49 percent to 31,360 million Hong Kong dollars (3,892 million U.S. dollars).

The major items of re-exports to the mainland include raw material semi-finished products, machines and other capital goods from various countries and regions.

During the same period, Taiwan imported 1,290 million Hong Kong dollars (165.3 million U.S. dollars) worth of goods originated from the mainland, indicating a 98 percent growth. Taiwan's imports of various consumer goods, Chinese herbal medicine in particular, increased remarkably.

PRC Air Force Defector Meets With Press
OW200322 Taipei CNA in English
0245 GMT 20 Nov 87

[Text] Taipei, Nov. 20 (CNA)—Liu Chih-yuan, a 28-year-old Chinese Communist Air Force squadron leader, who piloted a MiG-19 to an airbase in central Taiwan in his flight to freedom Thursday afternoon, told the press in the evening that the three principles of the people being implemented in Taiwan is the only hope for the whole of China.

Liu told Chinese and foreign reporters at a televised press conference held by the Government Information Office, about seven hours after his successful bid for freedom, that although the Chinese Communist authorities have tried to obstruct the mainland people's desire to know more about the three principles of the people, many of them have managed to know this political system through various channels.

The press conference was presided over by Shaw Yu-ming, director-general of the Government Information Office. Maj. Gen. Chang Hui-yuan, military spokesman for the Ministry of National Defense, was also present.

In his opening remarks, Shaw said the latest defection by a Communist Chinese pilot was significant in that it was the first one since the recently-concluded 13th Chinese Communist Party "congress."

"This indicates that no matter how hard the Chinese Communist regime tries to control the Chinese people on the mainland, the love of liberty that is in their minds and hearts will continue to make them strive ever harder to find a doorway to freedom that will open to them," he said.

"China will have no hope as long as the Chinese Communists hold on to communism," he stressed.

Speaking with a heavy accent of Shantung Province, Liu told the press conference that he had planned the defection for three years. His decision to leave the mainland was not prompted by any single incident, but by his pent-up despair about the corruption and backwardness throughout the Chinese mainland under communist rule.

For many years, he has longed for freedom and democracy and wanted to live in a society that upholds justice. "Now that I am here, I want to declare war on the evil force of the Chinese Communists," Liu said.

The freedom seeker said he was taking part in a flight mission over Fukien Province when he saw his chance to realize his dream. His plane was then trailing behind those of his colleagues. After 17 minutes in the air when the other planes made a turn, he left the formation and flew straight toward Taiwan.

"I was a little worried because the weather was bad and the clouds were thick. But this also gave me more advantage in getting rid of the other planes," he said.

When asked how he felt when he landed at the Air Force base in Taiwan, Liu said, "I was extremely excited."

Weighing 67 kilograms and measuring 1.76 meters, the handsome young ex-Communist pilot is still single. He has left behind six close relatives, including his parents and two brothers.

He acknowledged that he has a girlfriend on the mainland, but because he did not want to get her into trouble with his planned defection, he did not marry her.

Through the media, Liu wanted to tell his family and girlfriend not to be afraid of the Chinese Communists, because his flight to freedom was purely a personal matter.

Asked what he wants to do most when he settles down in Taiwan, he said he wants to continue his education and pursue more knowledge. He blamed the cultural revolution for depriving him of the opportunity for schooling.

Broadcasts Message to PRC
HK200904 Hong Kong AFP in English
0857 GMT 20 Nov 87

[Text] Taipei, Nov 20 (AFP)—Defecting Chinese pilot Liu Zhiyuan on Friday sent greetings to his family and air force colleagues in a broadcast on Taiwan's state-run radio, which regularly transmits to the mainland.

"I arrived safely and I've been received warmly by the people here," the 28-year-old former squadron leader in the 145th group of the Chinese Air Force's 49th division said over the Central Broadcasting System.

"Everything is fine with me and please don't worry," Mr. Liu assured his family and fellow air force officers.

The pilot's father is a section chief in the city government of his native Chihnan in the northern Shantung Province. His other relatives include mother, two brothers, a sister and a sister-in-law.

Mr. Liu, the second Chinese pilot to defect to Taiwan in four years, landed a MiG-19 in the Ching Chuan Kang military airbase in Taichung, central Taiwan, Thursday under escort of two Taiwan fighters.

Based in Lung Hsi in China's southeastern Fukien Province, the pilot veered across to Taiwan during a counter-reconnaissance mission, pursued by three other pilots in his squadron.

Mr. Liu began his first full day in Taiwan with a breakfast with General Yen Pai-chien, Director of the Political Warfare Department, before paying his respects to the memorials to Dr. Sun Yat-sen and the late President Chiang Kai-shek.

He also made a brief stop at the annual meeting of the World Anti-Communist League before calling on Chief of Staff General Hau Pei-tsu and other high-ranking military officials.

The pilot told a press conference Thursday that he did not fly to Taiwan for reward "but to do my part to build a prosperous and unified China."

Taiwan offers large reward to encourage mainland pilots to defect, and Mr. Liu will receive 5,000 taels (6,650 ounces) of gold worth 2.87 million U.S. dollars on the local market.

He said the backwardness and corrupting systems on the mainland had led him to defect.

DPP Chairman Opposes Street Demonstrations

OW200847 Taipei CHINA POST in English
12 Nov 87 p 12

[Text] Yao Chia-wen, newly-elected chairman of the Democratic Progressive Party [DPP], said Tuesday that "parliament of the streets" would be the last resort of the opposition party to demand political reforms from the ruling Kuomintang.

Yao, considered to be a moderate among oppositionists, told reporters that he would rather bring up the DPP's cause in parliament than stage street demonstrations.

The 48-year-old former lawyer said he would continue to work with his comrades to demand the KMT open all parliamentary seats for election.

More than two-thirds of the members of the 315-seat lawmaking Legislative Yuan and the 954-seat National Assembly, or electoral college, have been frozen in office for the past 39 years and are aged 70 or older.

The government says the aging parliamentarians are legal representatives of their native constituencies in mainland China but that they cannot run in elections on the mainland while it is in communist hands.

Yao said the DPP will also continue to demand direct election of the Taipei and Kaohsiung mayors, and the Taiwan governor.

He said the ruling party cannot wipe out the ideology of declaring Taiwan independent by merely prosecuting pro-independence elements. Yao added that the problem can only be solved "politically" with the KMT coming up with a parliamentary reform package acceptable to advocates of Taiwan's independence.

Yao was elected Tuesday at the closing of the DPP's Second Plenary Meeting, replacing charter chairman David P.C. Chiang.

During the two-day convention, the DPP voted against members using four-letter words in parliament and public gatherings.

The motion against cursing was proposed by women members, including Legislator Wu Shu-chen and Tien Chiu-chin, to maintain the DPP's image of respecting women's rights.

Journalists Charged With Travel Ban Defiance

HK200758 Hong Kong AFP in English
0748 GMT 20 Nov 87

[Text] Taipei, Nov 20 (AFP)—A Taiwan newspaper reporter and his employer have been charged in connection with an unprecedented trip to China in defiance of a 38-year-old government ban on visits to the mainland, court officials said here Friday.

Journalist Lee Yung-teh and colleague Hsu Lu made a two-week visit to China in September, the subject of a series of articles for the privately-owned *Independence Evening Post*.

The director of the newspaper, Wu Feng-shan, told *Agence France-Presse* after learning of the court action Friday that his paper would continue to fight for its rights.

"I regret that the prosecutor of Taipei District Court does not understand the nature of freedom of the press," he said.

Mr. Lee and Mr. Wu were charged with making false statements to the Government Information Office (GIO) leading to false information being printed on GIO documents issued to the Ministry of Foreign Affairs and the Bureau of Entry and Exit for Mr. Lee's overseas travel application, the court indictment read.

Instead of conducting newsgathering activities in Japan as stated in the application, "all activities of Mr. Lee during his stay of some 70 to 80 hours in Japan were centred on applying for a visa (to the Chinese mainland)," the indictment read.

As director of the newspaper, Mr. Wu "covered up" the journalists' real destination fearing that the trip might be stopped by Taiwan or Japanese officials, the indictment read.

Mr. Wu and Mr. Lee face a maximum three years' jail if convicted.

Charges against Ms. Hsu were dropped for lack of sufficient evidence, the court said in a separate report. Ms. Hsu travelled to China via Tokyo on a tourist passport.

New Regulations on Import of Mainland Books
OW200841 Taipei CHINA POST in English
12 Nov 87 p 12

[Text] The Government Information Office [GIO] announced Wednesday regulations governing applications for the import of published materials from mainland China.

The 14-point set of regulations become effective today.

Under the new rules, registered publishers may submit original copies of works to be imported for review by censors, along with reprint and copyright licensing documents.

The publishers will be allowed to import no more than 10 works at a time.

The GIO approved in September the import of non-propaganda published works from mainland China.

Hong Kong

PRC Economist on Effect of Stock Market Crash
HK180401 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 45, 9 Nov 87 pp 7, 8

[Article by reporter Li Dahong (2621 1129 1347): "Xu Dixin on Hong Kong's Economy Amid the Stock Market Storm"]

[Text] The New York stock market crash that began on 19 October shocked other stock markets throughout the world. London, Tokyo, Sidney, and Hong Kong have all been involved in this maelstrom.

From 19 to 26 October, the Hong Kong stock market broke the all-time record for the daily fall margin of the Heng Seng Index.

What are the prospects for the Hong Kong economy? In an interview with *Liaowang*, Xu Dixin, a famous Chinese economist, said: "Although the stock market crash had a great impact on Hong Kong, in general, I still do not think that the Hong Kong economy will be seriously affected. Hong Kong's economic prospects will not dim."

Will There Be a Worldwide Economic Crisis? [subhead]

Xu Dixin held that the crash of the New York stock market was caused by the financial and trade deficits of the United States, and in the final analysis, it was the inevitable result of the intensification of the internal contradictions in the economic structure of the West. After economic growth gives rise to a certain relative surplus, an economic crisis will inevitably occur.

He said: Although the U.S. economy continued to grow at a slow pace this year, its internal contradictions and problems have become more obvious and have worsened. The main problems include such unfavorable factors as the financial deficit, the trade deficit, inflation, and the shaky U.S. dollar. The national debt of the United States now amounts to more than \$2 trillion, which is equivalent to one half of the nation's GNP. Last year, the U.S. Government recorded a financial deficit of \$221 billion, and in the first 8 months of this year, the deficit reached \$148 billion. In the past few years, the United States incurred annual trade deficits of \$160-170 billion, and in the first 8 months of this year, the foreign trade deficit broke last year's record of \$156.2 billion. These tremendous financial and trade deficits will inevitably cause inflation, and inflation in turn will further lower the value of the U.S. dollar. Since 1985, the U.S. dollar exchange rate has fallen by 40 percent, but the country's foreign trade deficit has still not been reduced. After the August trade statistics were announced on 14 October, the financial market in the United States was sent into a panic, and the Dow Jones industrial average fell 95 points. The stock fall drove more stockholders to dump what they held, and the market could not help but

continue to go down. Before 19 October, the market was already in chaos. On 19 October, the Dow Jones industrial average dropped sharply—508 points; this fall far exceeded that of 28 October 1929, which was the eve of the Great Depression in the 1930's. The maelstrom that occurred in New York—the world's financial center—immediately shook all other financial centers in the West.

Between the end of the 1979-1982 economic crisis and the recent stock market crash, the Western economy experienced 5 years of relative stability. The economies in various Western countries have shown continuous growth for a comparatively long time, and this has also sharpened the contradiction of relative production surplus. This eventually led to a violent stock market tumble. There will always be ups and downs in the stock market, and this causes a certain psychology of expecting a rise or fall in the market among people who deal in stocks. The market psychology always overreacts, thus adding fuel to the market fluctuations.

At present, various countries have two possible ways to cope with a stock market crash. First, when the stock transactions fall in a frenzy, the authorities simply close the market or shorten the trading time. This measure has both advantages and disadvantages. The advantage is to artificially stop the downward tendency and prevent the endless plummeting of the stock prices; but the disadvantage is to cause losses to people who earn a living from trading stocks. Second, the government concerned joins hands with the banks to inject more money into the market so as to "rescue the market," and this will, to a certain extent, prevent the further worsening of the stock market situation. However, both methods can only play a short-term, expedient role.

Will the recent stock market crash usher in a worldwide economic crisis? People readily remember the events of 28 October 1929, the "darkest day" in U.S. history. According to past experience, a stock market crash is the precursor of the closing of a large number of factories and unemployment for many people. Although the recent stock market crash has not triggered an all-out economic crisis, U.S. President Reagan clearly acknowledged on 27 October that the chaos in the stock market had indicated the possibility of the appearance of serious problems in the economy. Mr Reagan should be praised for being courageous enough to reveal this bad news to the people.

The Factors Boosting Hong Kong's Economy Should Be Noticed [subhead]

The stock market slump is a global financial problem. It is no wonder that the Hong Kong stock market, which has become highly international in character, is affected by the market conditions in the United States, Japan, and Britain. Xu Dixin emphasized that the severe slump

in the Hong Kong stock market was not merely attributable to Hong Kong's economic conditions; more importantly, it was caused and intensified by panic.

Hong Kong's economic structure is based on the capitalist mode of production, but it is also a free port, where funds can move in and out freely. In Hong Kong, heavy industry remains in the initial stage, and light industry has not been fully developed, even though it has developed substantially since the 1970's. The volume of stocks in Hong Kong does not account for a substantial proportion in the world's economic system. So, the seriousness of the stock slump in Hong Kong is not as obvious as in other financial centers of the world, and it may last a shorter time. In the past, some of the postwar economic crises did not affect Hong Kong or had only a short-term effect. As compared with the developed nations, economic crises in Hong Kong were not so severe.

Nearly 10 products of Hong Kong's industry rank first in the world, and the development of the construction and electronics industries in Hong Kong is also remarkable. At present, most major companies in Hong Kong are making handsome profits. In September 1987, the total value of Hong Kong's exports and reexports reached more than \$270 billion, showing an increase of nearly 40 percent over the same period last year. According to the latest statistics, Hong Kong manufacturers are generally holding orders for more than 4 months, so it is expected that exports will continue to be satisfactory in the fourth quarter.

The property industry is a sensitive sector in Hong Kong's economy. Many foreign companies regard Hong Kong as a springboard for entering China, and this has stimulated the prosperity of Hong Kong's property sector. After the stock market began to drop, the Hong Kong Government still successfully sold three pieces of land. One plot for residential purposes was sold for HK\$500 million. This showed that industrialists and businessmen did not want to give up on Hong Kong, which is a promising place.

China Is the Rear Area for Hong Kong [subhead]

Xu Dixin pointed out: Because Hong Kong has close economic relations with Mainland China, it will not be totally affected by the conditions in the world economy. The recent stock market storm may have a great impact on some Hong Kong funds which had flowed to overseas areas, but the funds which have been invested in Hong Kong and Mainland China may not be too seriously affected.

China always hopes to maintain mutual support and seek common prosperity with Hong Kong. A substantial quantity of Hong Kong's daily necessities and raw materials are supplied by China. Even water, which is most essential in people's daily lives, is supplied by China. In addition, China is an important market for Hong Kong's export goods. According to Hong Kong Government

statistics, the trade volume between Hong Kong and China in the first 6 months of this year reached more than HK\$90 billion, an increase of 51.5 percent over the same period last year. At present, China is both the largest supplier and the second largest export market for Hong Kong.

Hong Kong's relations with Mainland China differ from its relations with South Korea, Singapore, and Taiwan. There is intense competition in Hong Kong's relations with the latter, but cooperation is the main aspect of Hong Kong's relations with Mainland China, although there is also competition. Investors can find good land, low-cost labor, and rich resources in Mainland China, and can lower their costs and strengthen the competitiveness of the traditional industrial goods. We hope that the Hong Kong compatriots who are engaged in industrial production will not only develop traditional industrial goods, but will also make use of Hong Kong's funds to develop modern equipment and technology. In particular, with Hong Kong businessmen investing in and running factories on the mainland, China's economy can be positively promoted. At present, some 80 percent of the foreign investment in Mainland China comes from Hong Kong's manufacturers.

It should be pointed out here that some changes have occurred in industrial investment relations between Hong Kong and China. In recent years, China's industrial investment in Hong Kong has been continuously increasing, and has now reached more than HK\$2 billion. China has also begun to invest in the high technology field. Recently, a number of Chinese enterprises in Hong Kong participated in offering tenders for such important projects as the Kwai Chung Container Pier, the Tai Lo Shan Tunnel, and the Hung Hom Development Project. This all serves to maintain Hong Kong's prosperity and stability.

Xu Dixin stressed: Precisely because of this, when the Hong Kong newspapers were exclaiming in great alarm that the Hong Kong economy was shrouded with "dark clouds," the Bank of China Group participated in the government's action to "rescue the market" so as to stabilize people's feelings and the market situation. The Chinese officials and the responsible people of the XINHUA Hong Kong branch declared that "so long as the measures adopted by the Hong Kong Government are favorable to Hong Kong's prosperity and stability and are within the capacity of the Chinese side, the Chinese side will certainly give positive support and offer full cooperation." This clearly shows that the Chinese people will share weal and woe with the Hong Kong compatriots and will maintain a cooperative attitude. Finally Xu Dixin said: "I hope that the Hong Kong compatriots will clearly realize that China is the rear area that supports Hong Kong!"

Economists Want Continued U.S. Dollar Link
HK200317 Hong Kong HONGKONG STANDARD
(BUSINESS WEEKLY) in English 20 Nov 87 p 1

[By Chito Santiago]

[Text] Hong Kong cannot afford to revise the existing Hong Kong dollar link with the U.S. dollar despite a renewed call from Washington to do so.

Vincent Cheng, head of economic research of the Hong Kong and Shanghai Banking Corp. told *Business Weekly* yesterday that changing the current link would mean a higher Hong Kong dollar, which would result in a slow-down in the territory's export growth.

"I don't think we should change (the link) at the moment," he said. "We don't need an appreciation in the Hong Kong dollar now."

Chan Kwok-kei, economist and research manager at Nomura Research International, a leading Japanese think-tank based in Hong Kong, said any change in the linked rate system would induce uncertainty which probably "had not been seen before".

He pointed out that Hong Kong's exchange rate mechanism was determined differently compared with its three competitors—Taiwan, South Korea and Singapore—and that it was motivated to a large extent by political reasons.

Acting Secretary for Monetary Affairs Joseph Yam also reiterated yesterday that the Government had no plan to change the existing peg of \$7.80 to U.S.\$1.

He said Hong Kong had no overall trade surplus and it had no reason to revalue the link.

These reactions were directed to a statement made by the U.S. Assistant Secretary of the Treasury for International Affairs David Mulford, who called on the newly industrialising countries (NICs), which include Hong Kong, to adopt an exchange rate policy that allows their currencies to reflect fully the underlying strength of their economies.

He said the Hong Kong Government's policy of a fixed link to the U.S. dollar had allowed it to post the greatest competitive gains in terms of relative exchange rates, not only against the yen, but also against all the other NICs.

Meanwhile, Andrew Freris, a senior lecturer of economics at the City Polytechnic, believed that pressure from Washington to change the current linked rate system was likely to mount.

He indicated that in the event the Government had a change of heart on this issue, it would be done suddenly and quickly.

"There would be no discussion about it," he said. "I don't see a Hong Kong dollar floating, but I definitely see it being revalued," he added.

By how much the Hong Kong dollar would be revalued would be very tricky, Mr Freris said. He added that a good opportunity to do this would be during next year's budget speech.

Paper Speculates on Possible Bank Move to UK
HK190605 Hong Kong SOUTH CHINA MORNING
POST in English 19 Nov 87 pp 1, 2

[By Eva To]

[Text] The Hong Kong and Shanghai Bank's move to buy almost 15 per cent of the London-based Midland Bank could be the prelude to the bank moving its base out of the territory, according to a new research report.

Greenwell Montagu, the investment banking arm of the Midland Bank Group, says the acquisition could be seen as a way for the bank to transfer its home base from Hong Kong before 1997.

"This (the takeover) would, amongst other things, give them a potentially rather neat way of getting a UK registration before 1997 via some sort of reverse takeover mechanism," said analyst Christopher Munden in a new report.

"In this way, the bank would enlarge its role as one of the world's leading international banks instead of being stuck as a large PRC, SAR [Special Administrative Region]-based bank with international interests," Mr Munden added.

Last week, the Hong Kong Bank announced its proposal to acquire a 14.9 per cent stake in Midland, one of the four largest British clearing banks. If the deal goes through, it will be the biggest shareholder in Midland.

The proposal includes a "stand still" period of three years under which the Hong Kong Bank cannot change its stake in Midland without the latter's consent. Neither can Midland create a larger shareholder than the Hong Kong Bank through the issue of new shares.

"How ridiculous!" said Hong Kong Bank executive director Mr Peter Wrangham last night in response to the Greenwell Montagu suggestion.

"It's pure speculation. There's no ground for it at all."

"There is a three-year period ... we cannot increase the stake.... Speculating what's going to happen in three years' time is beautiful stuff for stockbrokers."

Asked if Hong Kong Bank intended to retain its incorporation in Hong Kong after 1997, Mr Wrangham said: "It's like asking is the sun going to rise tomorrow morning."

"We are firmly incorporated here. We are delighted to be incorporated here."

Using the reverse takeover route as a means to transfer incorporation sounded like a logical option open to the bank, other bank analysts said.

"Despite Mr (William) Purves' denial at a press conference last week, that the 14.9 per cent acquisition was not designed to prevent having to seek a Bank of England approval, there's just no other way to explain the level," one analyst said.

Banking legislation in the United Kingdom stipulates that the acquisition of more than 15 per cent of a local bank requires the approval of the UK central bank.

"The obvious stumbling block in the face of the Hong Kong Bank increasing its stake any further is the approval required by the Bank of England once 15 per cent or more is achieved," Mr Munden said.

"Hong Kong Bank now has three years to demonstrate its fitness."

"...it is reasonable to speculate that the bank could increase its stake in Midland to 29.5 per cent in 1991, thereby avoiding an expensive general offer but effectively taking control, or pay up and increase (its take) to at least 51 per cent via a general offer and then, finally, before 1997 initiate a reverse takeover by Midland for the Hong Kong Bank."

Mainland Lawyers Plan To Establish Firm
HK200319 Hong Kong HONGKONG STANDARD
in English 20 Nov 87 p 6

[Text] Mainland lawyers will set up their first firm in Hong Kong to meet a growing demand from overseas for legal services on China.

The new firm would consult foreign investors and overseas Chinese on financial and civil matters, said Mr Lin Ziqiang of the Guangdong Bar Association.

He said the recent increase in emigrants from China had been one of the main reasons for the increased demand.

Before they can move to other countries, Chinese emigrants must certify they have no criminal record and submit their date and place of birth and other related documents through mainland lawyers.

Another area of demand is from overseas Chinese, who increasingly are using the law to establish their own rights.

For example, some overseas Chinese want to get back land and property they once owned in China.

Mr Lin estimated more than 20,000 such cases were processed by mainland lawyers last year and nearly half of these were handled by lawyers in Guangdong.

The demand in some areas from which overseas Chinese originated had been most acute, he said.

Largely because of them, Guangdong lawyers would be active in the Hong Kong firm, he said.

After it is set up, clients from different regions can receive legal assistance and services in Hong Kong.

At present, most of the overseas cases go through Chinese consulates. Those who want to use services offered by Chinese lawyers have to be examined by the consulates in advance.

The exact date of the firm's opening still has to be decided as more details have to be worked out by the Hong Kong Law Society and the China National Lawyers' Association.

The two parties discussed setting up the firm a couple of weeks ago.

At present, Guangdong has about 1,700 lawyers and 183 legal service offices which can serve either overseas Chinese or foreign investors.

Macao

Governor Melancia Returns From Trip to Lisbon
HK200701 Hong Kong SOUTH CHINA MORNING
POST in English 20 Nov 87 p 2

[Text] The Governor of Macao, Dr Carlos Melancia, returned yesterday from a nine-day trip to Lisbon for talks with the Portuguese President and Prime Minister.

It was the Governor's first trip to Portugal since he arrived in Macao last August.

While Dr Melancia was in Europe the Portuguese parliament discussed the final version of the Portuguese Joint Declaration over the handover of Macao in 1999.

There had been speculation that Dr Melancia took plans for a proposed airport in Macao with him to Lisbon.

It was also reported that he recruited a new Undersecretary for Health and Education whilst in Europe.

Four of the five posts of undersecretary in the Macanese administration were filled in a shake-up that followed the appointment of the new Governor.

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